

**PATHWAYS TO HOUSING PA, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

**PATHWAYS TO HOUSING PA, INC.**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Pathways to Housing PA, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Pathways to Housing PA, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways to Housing PA, Inc. as of June 30, 2015, 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.

***Report on Summarized Comparative Information***

We have previously audited Pathways to Housing PA, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 9, 2015

**PATHWAYS TO HOUSING PA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 629,264	\$ 840,079
Accounts Receivable:		
Government	1,299,556	1,042,984
Other, Net	159,245	105,190
Inventory	104,460	-
Client Cash - Restricted	170,972	138,657
Prepaid Expenses	299,928	262,294
Total Current Assets	2,663,425	2,389,204
<b>PROPERTY AND EQUIPMENT</b>		
Furniture, Fixtures, and Equipment	160,209	130,049
Leasehold Improvements	29,044	21,094
Total	189,253	151,143
Less: Accumulated Depreciation	53,258	23,942
Total Property and Equipment	135,995	127,201
 Total Assets	 \$ 2,799,420	 \$ 2,516,405
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 52,824	\$ 99,784
Accrued Expenses	140,099	157,829
Accrued Payroll and Payroll Taxes	372,181	304,390
Deferred Revenue	-	20,655
Due to Clients	170,972	138,657
Capital Lease Obligations, Current Portion	1,974	1,635
Total Current Liabilities	738,050	722,950
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations, Net of Current Portion	1,746	3,719
Total Liabilities	739,796	726,669
<b>NET ASSETS</b>		
Unrestricted and Undesignated	1,864,420	1,708,236
Temporarily Restricted	195,204	81,500
Total Net Assets	2,059,624	1,789,736
 Total Liabilities and Net Assets	 \$ 2,799,420	 \$ 2,516,405

**PATHWAYS TO HOUSING PA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Community Behavioral Health	\$ 3,590,963	\$ -	\$ 3,590,963	\$ 3,389,969
U.S. Department of Housing and Urban Development	1,570,433	-	1,570,433	1,358,281
Department of Veterans' Affairs	1,482,822	-	1,482,822	1,364,315
City of Philadelphia Department of Behavioral Health	1,315,101	-	1,315,101	1,396,930
ActionAIDS	201,535	-	201,535	198,475
Client Income	449,364	-	449,364	520,698
Foundation Grants	30,161	239,089	269,250	70,000
Contributions	319,452	-	319,452	10,665
Other Income	79,897	-	79,897	73,314
Net Assets Released from Restrictions	125,385	(125,385)	-	-
Total Support and Revenue	<u>9,165,113</u>	<u>113,704</u>	<u>9,278,817</u>	<u>8,382,647</u>
<b>EXPENSES</b>				
Program	7,624,796	-	7,624,796	6,369,159
Management and General	1,259,291	-	1,259,291	1,046,271
Fundraising	124,842	-	124,842	143,855
Total Expenses	<u>9,008,929</u>	<u>-</u>	<u>9,008,929</u>	<u>7,559,285</u>
<b>CHANGE IN NET ASSETS</b>	156,184	113,704	269,888	823,362
Net Assets - Beginning of Year	<u>1,708,236</u>	<u>81,500</u>	<u>1,789,736</u>	<u>966,374</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,864,420</u></u>	<u><u>\$ 195,204</u></u>	<u><u>\$ 2,059,624</u></u>	<u><u>\$ 1,789,736</u></u>

**PATHWAYS TO HOUSING PA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

	2015			2014	
	Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Costs	\$ 3,395,821	\$ 983,001	\$ 89,364	\$ 4,468,186	\$ 3,684,319
Affiliate Fees	-	26,541	-	26,541	159,246
Bad Debt	27,956	-	-	27,956	47,813
Client Gross Rent Expense	1,915,911	-	-	1,915,911	1,809,202
Client Housing Expenses	545,173	-	-	545,173	502,484
Other Client Expenses	202,841	-	-	202,841	155,997
Clinical Expenses	18,539	-	-	18,539	20,434
Program Expenses - Furniture Bank	175,327	-	-	175,327	-
Conferences and Meetings	69,560	26,594	6,656	102,810	70,701
Contract Service Payments and Professional Fees	650,232	89,684	5,784	745,700	518,119
Depreciation	24,625	4,105	586	29,316	11,123
Insurance	52,316	8,680	1,240	62,236	53,491
Miscellaneous	-	4,092	-	4,092	9,896
Occupancy Costs	285,926	47,642	6,806	340,374	175,202
Office Expenses	251,846	68,952	14,406	335,204	338,606
Vehicle Costs	8,723	-	-	8,723	2,653
Total Expenses	<u>\$ 7,624,796</u>	<u>\$ 1,259,291</u>	<u>\$ 124,842</u>	<u>\$ 9,008,929</u>	<u>\$ 7,559,285</u>

**PATHWAYS TO HOUSING PA, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2015**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 269,888	\$ 823,362
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	29,316	11,123
Bad Debt	27,956	47,813
(Increase) Decrease in:		
Prepaid Expenses	(37,634)	(252,628)
Accounts Receivable	(338,582)	(207,216)
Inventory	(104,460)	-
Cash - Restricted for Clients	(32,315)	7,395
Increase (Decrease) in:		
Accounts Payable	(46,960)	(91,127)
Accrued Expenses	(17,730)	85,974
Accrued Payroll and Payroll Related Expenses	67,791	101,025
Related Party Payable	-	(50,000)
Due to Clients	32,315	(7,395)
Deferred Revenue	(20,655)	20,655
Net Cash Provided (Used) by Operating Activities	(171,070)	488,981
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(38,110)	(84,218)
<b>CASH FLOWS USED BY FINANCING ACTIVITIES</b>		
Payments on Capital Lease Obligations	(1,635)	(1,354)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(210,815)	403,409
Cash and Cash Equivalents - Beginning of Year	840,079	436,670
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 629,264	\$ 840,079
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 881	\$ 4,868



**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Pathways to Housing PA, Inc. ("Pathways") is a not-for-profit 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 are chronically homeless and have psychiatric and other disabilities. Pathways 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, connection to addictions services, medical services, vocational training, household and money management assistance, "activities of daily living" training and advocacy services. In December 2014, Pathways opened the Philadelphia Furniture Bank providing no-cost 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, Department of Veterans Affairs, City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services, City of Philadelphia Office of Supportive Housing, and Community Behavioral Health (the City's medical assistance payer for behavioral health services).

**Basis of Presentation**

The 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 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' financial statements for the year ended June 30, 2014, 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.

**Restricted Cash**

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.

**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 issues. 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, 2015, the amount of the allowance for accounts receivable, other was \$74,297.

**Inventory**

The Inventory for the Philadelphia Furniture Bank consists of slightly used furniture received from for-profit entities, non-profit organizations, and individuals. The inventory value is based on estimates for various types of used furniture. 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, 2015 amounted to \$104,460.

In-kind contributions of furniture amounted to \$186,972 for the year ended June 30, 2015, which is included as part of contributions on the Statement of Activities.

**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	3-8 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 financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the asset categories is as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use. Unrestricted net assets include operating funds. The Board of Directors has the ability to designate unrestricted net assets for specified purposes.

**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions or stipulations that can be fulfilled by actions of Pathways pursuant to those stipulations or that expire by the passage of time. It is Pathways policy to record temporarily restricted contributions recognized and expended in the same accounting period in the unrestricted net asset class activity.

*Permanently Restricted Net Assets*- 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. Pathways does not have any permanently restricted net assets at June 30, 2015.

**Revenue Recognition**

*Contract Revenue* - Contract revenue from governmental agencies is recognized at the time the service is rendered and is based upon allowable costs. Pathways considers all government awards to be exchange transactions in which each party receives and sacrifices commensurate value. Accordingly, government awards do not affect temporarily restricted or permanently restricted net assets, and funds received in advance are deferred revenue, and funds disbursed and not reimbursed represent receivables.

*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. 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.

*Contributions and Foundation Grants* - Pathways records as revenue, unconditional promises to give, in the period the promise to give is received. All contributions are considered available for unrestricted use unless specifically restricted by the donors' request or restricted by time.

*Client Income* – Client Income represents each client's share of their housing rental expenses and represents 30 percent of their annual income net of allowable adjustments. Client income is accrued when earned to the extent that the related expenses have been incurred.

**Functional Allocation of Expenses**

Expenses are charged to various programs and supporting services when specifically identified. If not specifically identified, expenses are allocated in proportion to direct expenses, as estimated by management.

**Income Tax Status**

Pathways is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Pathways 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 TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Management's Judgments and Accounting Estimates**

The preparation of 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.

**Financial Statement Reclassifications**

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

**Subsequent Events**

Pathways evaluated its June 30, 2015 financial statements for subsequent events through December 9, 2015, the date the financial statements were available to be issued and were 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, 2015, accounts receivable - government are comprised of the following:

City of Philadelphia Department of Behavioral Health	\$ 328,031
City of Philadelphia Office of Supportive Housing	191,486
U.S. Department of Housing and Urban Development	175,411
City of Philadelphia Department of Behavioral Health Office of Addiction Services	39,651
Action Aids, Inc.	36,821
Department of Veterans Affairs	197,475
Community Behavioral Health	330,681
Total Accounts Receivable - Government	<u>\$ 1,299,556</u>

**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4      AFFILIATES TRANSACTIONS**

For the year ended June 30, 2015, the Pathways to Housing, Inc. affiliate fee was \$26,541.

**NOTE 5      NET ASSETS**

As of June 30, 2015, temporarily restricted net assets are restricted as to purpose and available for the following:

Barra Foundation - Strategic Planning	\$    16,875
Barra Foundation - General - Time Restricted	5,000
Barra Foundation - Furniture Bank	92,485
Project HOME - World Meeting of Families	42,589
HAFI Foundation - Client Furniture	34,000
Various	4,255
Total	\$   195,204

**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 “non-elective” contribution of 3% of gross salary for all eligible employees regardless if they contribute or not. Total contributions for the year ended June 30, 2015 were \$93,073.

**NOTE 7      OPERATING LEASE COMMITMENTS**

**Office Facilities**

Pathways conducts its operations from facilities that are leased under a ten-year operating lease with an expiration date in 2022. There are two five-year renewal options under the contract that allow the Organization to lease the facility until 2032. Rental and occupancy expense for the year ended June 30, 2015 totaled \$309,254.

**Residential Apartments**

Pathways leases approximately 202 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 2016. Residential rental expense for the year ended June 30, 2015 totaled \$1,915,911.

**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 OPERATING LEASE COMMITMENTS (CONTINUED)**

**Furniture Bank Program**

In October 2014 Pathways entered into a five year operating lease for space to house their Philadelphia Furniture Bank program. The Philadelphia Furniture Bank program will facilitate the collection and distribution of gently used donated furniture to individuals and families moving out of homelessness. Rental and occupancy expense for the year ended June 30, 2015 totaled \$31,116.

Aggregate minimum annual rental payments under the office, apartments and furniture bank leases at June 30, 2015 are as follows:

Year Ending June 30,	Amount
2016	\$ 1,371,098
2017	265,593
2018	268,446
2019	274,302
2020	278,645
Thereafter	533,758
Total	\$ 2,991,842

**NOTE 8 CAPITAL LEASE**

Pathways copier lease is recorded as a capital lease with an expiration date of March 2017. The economic substance of the lease is that Pathways is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities. The lease includes an end of lease purchase option that shall be the fair market value of the equipment. The copier equipment has a total cost of \$7,995 and accumulated depreciation of \$5,597 at June 30, 2015. This capitalized lease is included in property and equipment.

Minimum future lease payments under the capital lease at June 30, 2015 are as follows:

Year Ending June 30,	Amount
2016	\$ 2,516
2017	1,887
Total Minimum Lease Payments	4,403
Less: Amount Representing Interest	683
Total	\$ 3,720

**PATHWAYS TO HOUSING PA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9      CONCENTRATION OF CREDIT RISK**

Pathways operating revenue is primarily generated through contracts with Federal and local governmental agencies. For the year ended June 30, 2015, this amount represented approximately 88% of total revenues. The total receivable from contracts with Federal and local governmental agencies as of June 30, 2015 was approximately 88% of total accounts receivable.

**NOTE 10     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.