

PATHWAYS TO HOUSING PA, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



PATHWAYS TO HOUSING PA, INC.
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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, 2017, 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.

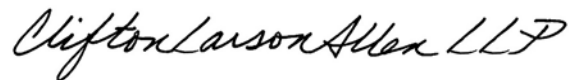
Board of Directors
Pathways to Housing PA, Inc.

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 21, 2017

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,064,538	\$ 477,805
Accounts Receivable:		
Government, Net	1,202,666	1,240,082
Other, Net	162,025	146,983
Inventory	154,506	127,090
Client Cash - Restricted	175,685	186,919
Prepaid Expenses	370,012	262,540
Total Current Assets	3,129,432	2,441,419
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Equipment	232,581	203,721
Leasehold Improvements	29,044	29,044
Total	261,625	232,765
Less: Accumulated Depreciation	135,264	93,902
Total Property and Equipment	126,361	138,863
 Total Assets	 \$ 3,255,793	 \$ 2,580,282
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 88,293	\$ 141,441
Accrued Expenses	236,071	140,545
Accrued Payroll and Payroll Taxes	274,840	201,522
Deferred Revenue	463,464	92,511
Due to Clients	175,685	186,919
Capital Lease Obligations, Current Portion	-	1,746
Total Liabilities	1,238,353	764,684
NET ASSETS		
Unrestricted	1,895,377	1,658,954
Temporarily Restricted	122,063	156,644
Total Net Assets	2,017,440	1,815,598
 Total Liabilities and Net Assets	 \$ 3,255,793	 \$ 2,580,282

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 4,360,763	\$ -	\$ 4,360,763	\$ 3,567,648
U.S. Department of Housing and Urban Development	2,213,935	-	2,213,935	1,836,508
Department of Veterans' Affairs	-	-	-	1,105,944
City of Philadelphia Department of Behavioral Health	1,624,634	-	1,624,634	1,407,785
Other Contracts	635,383	-	635,383	330,513
Client Income	440,007	-	440,007	417,449
Foundation Grants	18,489	135,000	153,489	228,875
Contributions	351,346	-	351,346	340,903
Other Income	104,705	-	104,705	89,588
Net Assets Released from Restrictions	169,581	(169,581)	-	-
Total Support and Revenue	<u>9,918,843</u>	<u>(34,581)</u>	<u>9,884,262</u>	<u>9,325,213</u>
EXPENSES				
Program	8,316,196	-	8,316,196	8,092,960
Management and General	1,267,295	-	1,267,295	1,345,956
Fundraising	98,929	-	98,929	130,323
Total Expenses	<u>9,682,420</u>	<u>-</u>	<u>9,682,420</u>	<u>9,569,239</u>
CHANGE IN NET ASSETS	236,423	(34,581)	201,842	(244,026)
Net Assets - Beginning of Year	<u>1,658,954</u>	<u>156,644</u>	<u>1,815,598</u>	<u>2,059,624</u>
NET ASSETS - END OF YEAR	<u>\$ 1,895,377</u>	<u>\$ 122,063</u>	<u>\$ 2,017,440</u>	<u>\$ 1,815,598</u>

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017					2016	
	Housing First	Furniture Bank	Total Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Costs	\$ 3,364,363	\$ 172,493	\$ 3,536,856	\$ 1,096,546	\$ 48,693	\$ 4,682,095	\$ 5,016,180
Client Rent Expense	2,441,644	-	2,441,644	-	-	2,441,644	2,105,532
Client Housing Expenses	609,033	-	609,033	-	-	609,033	441,021
Other Client Expenses	193,874	-	193,874	-	-	193,874	256,365
Clinic Supply Expenses	23,718	-	23,718	-	-	23,718	19,901
Conferences and Meetings	22,563	1,303	23,866	9,341	8,789	41,996	65,609
Contract Service Payments and Professional Fees	461,585	-	461,585	19,180	31,435	512,200	410,521
Depreciation	34,960	-	34,960	5,911	492	41,363	40,645
Insurance	101,917	5,000	106,917	14,616	1,217	122,750	110,798
Miscellaneous	-	-	-	4,893	-	4,893	5,261
Occupancy Costs	237,288	71,509	308,797	52,209	4,348	365,354	376,974
Office Expenses	208,299	9,010	217,309	64,599	3,955	285,863	262,645
Program Expenses - Furniture Bank	-	334,422	334,422	-	-	334,422	449,405
Vehicle Costs	17,281	5,934	23,215	-	-	23,215	8,382
Total Expenses	<u>\$ 7,716,525</u>	<u>\$ 599,671</u>	<u>\$ 8,316,196</u>	<u>\$ 1,267,295</u>	<u>\$ 98,929</u>	<u>\$ 9,682,420</u>	<u>\$ 9,569,239</u>

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 201,842	\$ (244,026)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	41,363	40,645
Bad Debt	(9,855)	20,924
(Increase) Decrease in:		
Prepaid Expenses	(107,472)	37,388
Accounts Receivable	32,229	50,812
Inventory	(27,416)	(22,630)
Cash - Restricted for Clients	11,234	(15,947)
Increase (Decrease) in:		
Accounts Payable	(53,149)	88,616
Accrued Expenses	95,526	446
Accrued Payroll and Payroll Related Expenses	73,318	(170,659)
Due to Clients	(11,234)	15,947
Deferred Revenue	370,953	92,511
Net Cash Provided (Used) by Operating Activities	617,339	(105,973)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(28,860)	(43,512)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(1,746)	(1,974)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	586,733	(151,459)
Cash and Cash Equivalents - Beginning of Year	477,805	629,264
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,064,538	\$ 477,805
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 141	\$ 542

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 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, "activities of daily living" 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 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, 2016, 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.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the amount of the allowance for accounts receivable, other was \$124,521.

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 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, 2017 amounted to \$154,506.

In-kind contributions of furniture amounted to \$257,484 for the year ended June 30, 2017, 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, 2017

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, 2017.

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.

Client Income – Client Income represents each client's share of 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.

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.

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, 2017

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. The reclassifications have no effect on previously reported net assets or change in net assets.

Subsequent Events

In preparing these financial statements, the Pathways has evaluated events and transactions for potential recognition or disclosures through December 31, 2017, the date the 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, 2017, accounts receivable - government are comprised of the following:

	<u>Amount</u>
City of Philadelphia Department of Behavioral Health	\$ 220,244
City of Philadelphia Office of Supportive Housing	368,345
U.S. Department of Housing and Urban Development	306,011
City of Philadelphia Department of Behavioral Health Office of Addiction Services	25,200
ActionWellness	34,050
NIH - Washington University in St. Louis	13,362
SAMHSA	84,291
City of Philadelphia Department of Behavioral Health Community Behavioral Health	<u>151,163</u>
Total Accounts Receivable - Government	<u>\$ 1,202,666</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 NET ASSETS

As of June 30, 2017, temporarily restricted net assets are restricted as to purpose and available for the following:

	Amount
Furniture Bank Supported Employment and Operations	\$ 40,000
Client Furniture	1,292
Strategic Plan	15,875
Veterans	42,396
Medical Clinic	20,000
Financial Literacy	2,500
Total	\$ 122,063

NOTE 5 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, 2017 were \$101,322.

NOTE 6 OPERATING LEASE COMMITMENTS

Residential Apartments

Pathways leases approximately 200 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 2018. Residential rental expense for the year ended June 30, 2017 totaled \$2,441,644.

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, 2017 totaled \$293,846.

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 facilitates 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, 2017 totaled \$71,508.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 OPERATING LEASE COMMITMENTS (CONTINUED)

Aggregate minimum annual rental payments under residential apartments, office facilities, and furniture bank leases at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 2,104,031
2019	293,328
2020	287,918
2021	291,152
2022	234,768
Thereafter	<u>23,542</u>
Total	<u>\$ 3,234,739</u>

NOTE 7 CONCENTRATION OF REVENUES

Pathways operating revenue is primarily generated through contracts with Federal and local governmental agencies. For the year ended June 30, 2017, this amount represented approximately 89% of total revenues. The total receivable from contracts with Federal and local governmental agencies as of June 30, 2017 was approximately 93% of total accounts receivable.

NOTE 8 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.



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.