

# **Pathways to Housing DC**

Financial Statements

Years Ended June 30, 2020 and 2019



# Pathways to Housing DC

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Years Ended June 30, 2020 and 2019

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## Independent Auditor's Report

To the Board of Directors  
Pathways to Housing DC  
Washington, DC

### Report on the Financial Statements

We have audited the accompanying financial statements of Pathways to Housing DC, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net assets, cash flows, and functional expenses for the years 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. 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 auditor's 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.

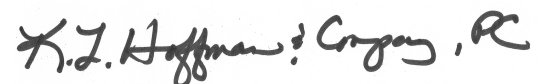
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways to Housing DC, as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated May 17, 2022, on our consideration of Pathways to Housing DC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pathways to Housing DC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering Pathways to Housing DC's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANT

May 17, 2022

**Pathways to Housing DC**  
 Statements of Financial Position  
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 902,312	\$ 135,696
Accounts receivable, net of allowance for doubtful accounts of \$96,736 in 2020 and \$80,042 in 2019	194,404	330,385
Grants receivable	1,715,508	1,171,812
Contributions receivable, net of allowance for doubtful accounts of \$13,035 in 2020 and \$11,102 in 2019	450,891	378,912
Investments at fair value	8,548	34,984
Restricted cash - client funds	712,437	542,216
Deposits	66,305	66,395
Furniture, equipment and improvements, net	237,177	232,621
Total assets	<u>4,287,582</u>	<u>2,893,021</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	49,192	388,924
Tenant rent allowance	43,011	-
Accrued payroll	569,384	522,191
Client funds	712,437	542,216
Grant advances	226,607	360,020
Line of credit	-	372,025
Notes payable	1,819,835	42,347
Total liabilities	<u>3,420,466</u>	<u>2,227,723</u>
Net assets:		
Donor undesignated - Available for general activities	416,225	277,687
Donor designated	450,891	387,611
Total net assets	<u>867,116</u>	<u>665,298</u>
Total liabilities and net assets	<u>\$ 4,287,582</u>	<u>\$ 2,893,021</u>

See the independent auditor's report and accompanying notes.

## Pathways to Housing DC

Statements of Activities and Change in Net Assets  
Years Ended June 30, 2020 and 2019

	2020			2019		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains, and other support:						
Public support -						
Contributions	\$ 1,081,443	\$ 236,756	\$ 1,318,199	\$ 657,047	\$ 215,396	\$ 872,443
Grants and contracts	6,638,727	-	6,638,727	4,850,304	-	4,850,304
Fee for service - Medicaid/local	3,017,314	-	3,017,314	3,678,340	-	3,678,340
Rent subsidies:						
LRSP	2,293,220	-	2,293,220	2,105,125	-	2,105,125
HUD	2,086,864	-	2,086,864	2,024,504	-	2,024,504
	4,380,084	-	4,380,084	4,129,629	-	4,129,629
Unrealized gain (loss) on investments	32	-	32	(3,804)	-	(3,804)
Other	19,276	-	19,276	27,716	-	27,716
Loss on disposal	-	-	-	(75,000)	-	(75,000)
	15,136,876	236,756	15,373,632	13,264,232	215,396	13,479,628
Net assets released from designations by satisfaction of designations	173,476	(173,476)	-	155,035	(155,035)	-
Total revenues, gains, and other support	15,310,352	63,280	15,373,632	13,419,267	60,361	13,479,628
Expenses:						
Program services	12,911,542	-	12,911,542	11,793,692	-	11,793,692
Supporting services -						
Management and general	1,912,167	-	1,912,167	1,762,467	-	1,762,467
Fund raising	348,105	-	348,105	340,717	-	340,717
Total expenses	15,171,814	-	15,171,814	13,896,876	-	13,896,876
Change in net assets	138,538	63,280	201,818	(477,609)	60,361	(417,248)
Net assets - beginning of year	277,687	387,611	665,298	755,296	327,250	1,082,546
Net assets - end of year	\$ 416,225	\$ 450,891	\$ 867,116	\$ 277,687	\$ 387,611	\$ 665,298

See the independent auditor's report and accompanying notes.

## Pathways to Housing DC

### Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 201,818	\$ (417,248)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	68,753	19,814
Amortization - tenant allowance	(11,895)	-
Realized and unrealized loss on investments	173	3,804
Bad debt expense	39,465	114,439
Donated stock	(3,423)	(1,542)
(Increase) decrease in:		
Accounts receivable	119,287	(186,644)
Grants receivable	(543,696)	(129,388)
Contributions receivable	(94,750)	(114,741)
Deposits	90	(54,164)
Increase (decrease) in:		
Accounts payable	(339,732)	138,056
Tenant rent allowance	54,906	-
Accrued payroll	47,193	81,168
Client funds	170,221	18,116
Grant advances	(133,413)	(53,640)
Net cash used in operating activities	<u>(425,003)</u>	<u>(581,970)</u>
Cash flows from investing activities:		
Reinvestment of dividends	(314)	(2,487)
Proceeds from sale of investments	30,000	-
Capital expenditures	(73,309)	(220,771)
Net cash used in investing activities	<u>(43,623)</u>	<u>(223,258)</u>
Cash flows from financing activities:		
Payments on notes payable	(263,970)	(44,607)
Notes payable proceeds	2,041,458	-
Net (payments) proceeds from line of credit	(372,025)	372,025
Net cash provided by financing activities	<u>1,405,463</u>	<u>327,418</u>
Net increase (decrease) in cash and restricted cash	936,837	(477,810)
Cash and restricted cash - beginning of year	<u>677,912</u>	<u>1,155,722</u>
Cash and restricted cash - end of year	<u>\$ 1,614,749</u>	<u>\$ 677,912</u>

See the independent auditor's report and accompanying notes.

## Pathways to Housing DC

Statements of Functional Expenses  
Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	Supporting Services Management and General	Fund Raising	Total	Program Services	Supporting Services Management and General	Fund Raising	Total
Payroll and payroll related	\$ 7,246,215	\$ 1,375,378	\$ 270,845	\$ 8,892,438	\$ 6,749,759	\$ 1,318,115	\$ 244,020	\$ 8,311,894
Specific assistance to individuals	4,595,615	-	-	4,595,615	4,026,087	-	-	4,026,087
Professional fees	261,678	240,351	-	502,029	207,005	99,409	10,122	316,536
Office expense and other	241,735	165,540	51,911	459,186	239,568	147,750	64,320	451,638
Occupancy	417,410	65,530	20,202	503,142	437,187	62,817	18,448	518,452
Local transportation	92,787	15,349	3,050	111,186	117,918	16,876	3,222	138,016
Bad debt	-	39,465	-	39,465	-	114,439	-	114,439
Depreciation	56,102	10,554	2,097	68,753	16,168	3,061	585	19,814
	<u>\$ 12,911,542</u>	<u>\$ 1,912,167</u>	<u>\$ 348,105</u>	<u>\$ 15,171,814</u>	<u>\$ 11,793,692</u>	<u>\$ 1,762,467</u>	<u>\$ 340,717</u>	<u>\$ 13,896,876</u>

See the independent auditor's report and accompanying notes.



# Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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## **NOTE 1 - NATURE OF ORGANIZATION**

Pathways to Housing DC (Pathways DC), a non-profit organization formed in 2004 to end chronic homelessness, offers permanent housing and support services to more than 3,500 individuals who are experiencing homelessness or are at risk for homelessness in Washington, DC and Montgomery County, Maryland. Pathways DC's research and over fifteen years worth of experience demonstrates that their Housing First model, removed from judgment and pre-conditions, is the most effective approach in ending chronic homelessness for individuals with serious mental illnesses, substance use, and/or other complex health challenges. All of Pathways DC's programs and services are designed with the belief that housing is a basic human right for all people and that people should choose the type and sequence of services to be delivered. Pathways DC employs a staff of nurses, doctors, psychiatrists, social workers, peers, and addiction specialists to support and empower people on their recovery journeys.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Promises to Give/Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. When material, the discount on those amounts are computed using rates applicable to the facts and circumstances applicable to each of the promises to give. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable.

### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable.

### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, Pathways DC considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

## **Pathways to Housing DC**

Notes to Financial Statements

June 30, 2020 and 2019

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Property and Equipment**

Pathways DC capitalizes expenditures exceeding \$5,000 for property, equipment, and software having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) to five (5) years using the straight-line method. Pathways DC uses the direct expensing method to account for planned major maintenance activities.

#### **Contributions and Revenue**

Contributions received are recorded as donor undesignated or donor designated support, depending on the existence and/or nature of any donor designation.

Support that is designated by the donor is reported as an increase in undesignated net assets if the designation expires in the reporting period in which the support is recognized. All other donor designated support is reported as an increase in donor designated net assets. When a designation expires (that is, when a stipulated time designation ends or purpose designation is accomplished), donor designated net assets are reclassified to donor undesignated net assets and reported in the statements of activities and change in net assets as net assets released from designations. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

#### **Contributed Services and Materials**

Pathways DC recognizes contributed services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts are reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included as expenses or additions to property and equipment.

#### **Client Trust Accounts**

Pathways DC acts as the approved Representative Payee (Rep Payee) for Social Security benefits for many program participants. The purpose of offering this service is to assist individuals with histories of serious mental illnesses and/or addictions, manage their money. This service is completely voluntary. If a client chooses to participate in the Rep Payee program, they must sign a Rep Payee form, which is maintained in the medical chart. Staff submit the Rep Payee form to the Social Security Administration (SSA) for approval. Once approved, Pathways DC then receives monthly benefits for clients on a schedule determined by the SSA.

## **Pathways to Housing DC**

Notes to Financial Statements

June 30, 2020 and 2019

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Client Trust Accounts (continued)**

All funds are used for the care of clients as outlined by the SSA Rep Payee policy. Upon termination from the program, all funds are returned to the client. If the client is deceased, incarcerated, or is hospitalized long-term, funds are returned directly to the Social Security Administration.

#### **Cost Allocation**

The financial statements report certain categories of expenses that are attributable to program or supporting services. Management's estimate of the allocations of expenses to program service, management and general, and fund raising is based on appropriate allocation factors such as estimated time spent in those areas or square footage used.

### **NOTE 3 - CONCENTRATIONS**

Pathways DC received approximately 20% and 27% of its income in the form of DC Medicaid payments, 15% and 16% from DC LRSP and 14% and 15% of its income in the form of HUD payments for the years ended June 30, 2020 and 2019, respectively. DC Medicaid, HUD, and the Department of Human Services also accounted for approximately 14%, 42% and 3% of the accounts and grants receivable as of June 30, 2020 and 19%, 31% and 35% of the accounts and grants receivable as of June 30, 2019, respectively.

### **NOTE 4 - INCOME TAXES**

Pathways DC is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable local law, and contributions to it are tax deductible within the limitations prescribed by the Code. Pathways DC has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax returns of Pathways DC thus the previous three (3) years are subject to examination. Pathways DC has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501 (c)(3) status.

### **NOTE 5 - USE OF ESTIMATES IN FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### **NOTE 6 - CREDIT RISK**

Pathways to Housing DC has cash balances in two (2) banks in excess of \$250,000 as of June 30, 2020. Cash balances in excess of \$250,000 with one (1) bank are not insured by the FDIC.

### **NOTE 7 - COMMITMENTS**

Pathways DC leases its office facilities and one field office under the terms of operating leases expiring at various dates through June of 2023. Monthly lease payments are approximately \$24,000. Rent expense was approximately \$270,800 and \$324,100 for the years ended June 30, 2020 and 2019, respectively. Pathways DC leased new office facilities effective May 1, 2019 under the terms of an operating lease expiring in June 2023. The lease provides for monthly rentals, including real estate tax and insurance of approximately \$21,600.

Future minimum rentals are as follows for the years ended June 30,:

2021	\$	272,437
2022		266,340
2023	\$	226,220

Pathways DC leases its office equipment under the terms of several operating leases expiring at various times through June 2020. The leases provide for monthly rentals of approximately \$3,000. Rent expense was approximately \$31,400 and \$30,700 for the years ended June 30, 2020 and 2019, respectively. In June 2020, the Organization signed a new copier lease effective July 1, 2020 through June 30, 2023 with monthly rental payments of approximately \$2,600.

Future minimum rentals are as follows for the years ended June 30,:

2021	\$	31,200
2022		31,200
2023	\$	31,200

### **NOTE 8 - SUPPLEMENTAL CASH FLOW INFORMATION**

The following schedule provides a reconciliation of cash and restricted cash reported within the statement of financial position that sums to the total in the statement of cash flows.

	<u>2020</u>	<u>2019</u>
Cash	\$ 902,312	\$ 135,696
Restricted cash - client funds	712,437	542,216
	<u>\$ 1,614,749</u>	<u>\$ 677,912</u>

See the independent auditor's report.

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### **NOTE 8 - SUPPLEMENTAL CASH FLOW INFORMATION (continued)**

Cash paid for interest was approximately \$19,300 and \$4,700 for the years ended June 30, 2020 and 2019, respectively.

Non-cash investing and financing activity -

Pathways DC purchased two automobiles with note payables in the amount of \$41,442 during the year ended June 30, 2020.

### **NOTE 9 - CONTINGENCIES**

Pathways DC is subject to an audit by its funding sources. Accordingly, all costs charged to Federal and State programs are subject to verification.

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (Covid-19) a worldwide pandemic. The Covid-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Covid-19 outbreak is still evolving and the financial impact remains unknown. There is uncertainty regarding Covid-19's impact on the world's economy and therefore on the Organization and its stakeholders.

### **NOTE 10 - FURNITURE, EQUIPMENT AND IMPROVEMENTS**

Furniture, equipment and improvements consisted of the following at June 30,:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Furniture and equipment	\$ 33,184	\$ 33,184
Automobiles	168,645	114,566
Leasehold improvements	226,484	220,771
Software	90,101	90,101
	<u>518,415</u>	<u>458,622</u>
Less accumulated depreciation	<u>281,238</u>	<u>226,001</u>
	<u><u>\$ 237,177</u></u>	<u><u>\$ 232,621</u></u>

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### NOTE 11 - RETIREMENT PLAN

Pathways DC offers a 403(b) plan to all employees. Employees are able to withhold the maximum limited by current income tax law. Effective August 1, 2018, Pathways DC amended their 403(b) plan to include an employer matching provision of 3%. Contributions were approximately \$90,300 and \$69,800 for the years ended June 30, 2020 and 2019, respectively.

### NOTE 12 - RECLASSIFICATION

Certain amounts pertaining to fiscal year 2019 have been reclassified to conform to current year presentation.

### NOTE 13 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of unconditional promises to give of approximately \$450,900 and \$378,900 at June 30, 2020 and 2019, respectively and are due as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 291,385	\$ 204,369
One to five years	168,041	185,645
Greater than five years	4,500	-
Less allowance for doubtful accounts	<u>(13,035)</u>	<u>(11,102)</u>
Total unconditional promises to give	<u>\$ 450,891</u>	<u>\$ 378,912</u>

An immaterial amount of discount is included in contributions receivable (collectible in 1 - 5 years).

Prior to July 1, 2017, a 3.5% reserve was applied to all new contributions. However, during the year ended June 30, 2018, it was determined a 5% reserve more accurately reflected collections and applied this reserve retroactively to the contributions promised.

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### NOTE 14 - NOTES PAYABLE

	<u>2020</u>	<u>2019</u>
Notes payable - bank, interest rate of 6.8% and 11.3%, payments of \$302 and \$399 are due through November 2025. Secured by automobiles.	\$ 49,819	\$ 13,882
Note payable - bank, interest rate of 3%, payments of \$3,606 are due through February 2020. Secured by Organization assets.	-	28,465
Note payable - local non profit, interest rate of 0%, balance due by October 2021. Note is unsecured.	<u>178,416</u>	<u>-</u>
	<u>\$ 228,235</u>	<u>\$ 42,347</u>

Future principal payments are as follows for the years ended June 30,:

2021	\$ 186,870
2022	9,316
2023	10,268
2024	9,287
2025	8,612
Thereafter	\$ 3,882

Pathways DC was issued a note in the amount of \$1,591,600 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. All or a portion of the loan may be forgiven in accordance with the program requirements. The balance of the loan not forgiven will convert to an amortizing term loan payable in two (2) years. The note has a one percent (1%) interest rate.

During the year ended June 30, 2020, Pathways DC received proceeds from two (2) short term non-interest bearing notes payable in the amounts of \$50,000 and \$180,000. Both loans were repaid within forty-five days of the loan date.

### NOTE 15 - LINE OF CREDIT

Pathways DC has a due on demand line of credit available in the amount of \$500,000 with a variable interest rate of the Wall Street Journal Prime Rate (3.25% and 6% at June 30, 2020 and 2019, respectively) and is secured by a first priority blanket lien on all assets. The balance of the line of credit was \$0 and \$372,025 for the years ended June 30, 2020 and 2019, respectively.

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### NOTE 16 - INVESTMENTS

Pathways DC has an investment in mutual funds with a fair market value of \$8,548 and \$34,984 as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 34,984	\$ 34,759
Donated stock	3,423	1,542
Sale of investments	(30,000)	-
Reinvested dividends	314	2,487
Realized and unrealized losses	(173)	(3,804)
	<u>8,548</u>	<u>34,984</u>
Ending balance	<u>\$ 8,548</u>	<u>\$ 34,984</u>

### NOTE 17 - DONOR DESIGNATED NET ASSETS

Donor designated net assets consists of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Time	\$ 400,891	\$ 367,611
Financial assistance - housing placement	50,000	-
Strategic plan	-	20,000
	<u>\$ 450,891</u>	<u>\$ 387,611</u>

### NOTE 18 - DONOR DESIGNATED NET ASSETS RELEASED FROM DESIGNATIONS

Donor designated net assets released from donor designations consisted of the following for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Time	\$ 153,476	\$ 155,035
Strategic plan	20,000	-
	<u>\$ 173,476</u>	<u>\$ 155,035</u>



## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### **NOTE 19 - ACCOUNTING PRONOUNCEMENTS**

Pathways DC adopted the requirements in FASB ASU 2016-18, Statement of Cash Flows, Restricted Cash. The primary changes include the Statement of Cash Flows shall explain the change during the period in the total of cash, cash and cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the cash flows.

Pathways DC adopted the requirements in FASB ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions made. The ASU amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of return to the contributor of assets transferred or a right of release from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

### **NOTE 20 - FAIR VALUE MEASUREMENTS**

The accounting codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the assets or liabilities. The hierarchy requires the use of observable market data when available. The three levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### NOTE 20 - FAIR VALUE MEASUREMENTS (continued)

The assets or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Pathways DC recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2020 and 2019.

Fair value of investments consisted of the following at June 30,:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b><u>June 30, 2020</u></b>				
Mutual funds	<u>\$ 8,548</u>	<u>\$ 8,548</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>June 30, 2019</u></b>				
Mutual funds	<u>\$ 34,984</u>	<u>\$ 34,984</u>	<u>\$ -</u>	<u>\$ -</u>

## Pathways to Housing DC

Notes to Financial Statements

June 30, 2020 and 2019

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### NOTE 21 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Pathways DC's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed designations within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 3,271,663	\$ 2,051,789
Less those unavailable for general expenditures within one year, due to donor designations	450,891	387,611
grant advances	<u>226,607</u>	<u>360,020</u>
	<u>677,498</u>	<u>747,631</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,594,165</u>	<u>\$ 1,304,158</u>

As part of Pathways DC's liquidity management, it invests cash in excess of daily requirements in savings accounts.

### NOTE 22 - SUBSEQUENT EVENTS

Pathways DC has evaluated subsequent events through the date the financial statements were available to be issued on May 17, 2022, and determined the following to disclose:

Subsequent to year end, Pathways DC's note in the amount of \$1,591,600 issued under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program was forgiven.

In November 2021, Pathways DC's line of credit was increased to \$1,000,000.