

PATHWAYS TO HOUSING DC

**Financial Statements and Supplemental Schedules Together with
Reports of Independent Public Accountants**

For the Years Ended June 30, 2022 and 2021

PATHWAYS TO HOUSING DC

Financial Statements and Supplemental Schedules Together with Reports of Independent Public Accountants

JUNE 30, 2022 AND 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the Board of Directors
Pathways to Housing DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pathways to Housing DC (Pathways DC), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways DC as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Pathways DC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways DC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government Auditing Standards* 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal controls 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 DC's internal controls. 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways DC'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 controls related matters that we identified during the audit.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying



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accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of Pathways DC's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pathways DC's internal controls 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 DC's internal controls over financial reporting and compliance.

Washington, D.C.
June 21, 2024

SBC + Company, LLC

PATHWAYS TO HOUSING DC

Statements of Financial Position As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 853,934	\$ 1,252,075
Restricted cash - client funds	585,186	691,318
Accounts receivable, net	754,664	789,380
Medicaid receivable	364,779	497,754
Contracts and grants receivable	2,463,720	2,024,073
Contributions receivable, net	172,529	194,937
Investments	42,324	3,485
Prepaid and other assets	40,705	23,583
Deposits	66,305	66,305
Furniture, equipment and improvements, net	146,452	237,250
Total Assets	<u>\$ 5,490,598</u>	<u>\$ 5,780,160</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 254,224	\$ 125,127
Tenant rent allowance	21,052	32,032
Accrued payroll and vacation payable	774,228	729,658
Client funds	585,187	691,318
Grant advances	170,472	553,416
Notes payable	32,051	330,053
Line of credit	100,400	110,620
Paycheck protection program loan	-	1,591,600
Total Liabilities	<u>1,937,614</u>	<u>4,163,824</u>
Net assets		
Without donor restrictions	2,987,885	1,394,924
With donor restrictions	565,099	221,412
Total Net Assets	<u>3,552,984</u>	<u>1,616,336</u>
Total Liabilities and Net Assets	<u>\$ 5,490,598</u>	<u>\$ 5,780,160</u>

The accompanying notes are an integral part of these financial statements.

PATHWAYS TO HOUSING DC

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022, with Comparative Totals for 2021

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	
Revenues and Other Support				
Contributions	\$ 662,422	\$ 525,000	\$ 1,187,422	\$ 813,998
Federal grants and contracts	4,530,506	-	4,530,506	1,995,882
Other grants and contracts	4,945,556	-	4,945,556	5,489,312
Fee for service - Medicaid/local	2,283,211	-	2,283,211	2,987,542
Rent subsidies:				
LRSP	2,679,581	-	2,679,581	2,222,786
HUD	2,319,053	-	2,319,053	2,016,489
PPP loan forgiveness grant	1,591,600	-	1,591,600	-
Other	72,104	-	72,104	774,418
Total Revenue	19,084,033	525,000	19,609,033	16,300,427
Net Assets Released from Restriction				
Satisfaction of restriction	181,313	(181,313)	-	-
Total Revenues and Other Support	19,265,346	343,687	19,609,033	16,300,427
Expenses				
Program services	15,148,993	-	15,148,993	12,721,061
Supporting services				
Management and general	2,203,961	-	2,203,961	2,529,138
Fundraising	319,431	-	319,431	301,008
Total Expenses	17,672,385	-	17,672,385	15,551,207
Changes in net assets	1,592,961	343,687	1,936,648	749,220
Net assets beginning of year	1,394,924	221,412	1,616,336	867,116
Net Assets End of Year	\$ 2,987,885	\$ 565,099	\$ 3,552,984	\$ 1,616,336

The accompanying notes are an integral part of this financial statement.

PATHWAYS TO HOUSING DC

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Other Support:			
Contributions	\$ 743,998	\$ 70,000	\$ 813,998
Federal grants and contracts	1,995,882	-	1,995,882
Other grants and contracts	5,489,312	-	5,489,312
Fee for service - Medicaid/local	2,987,542	-	2,987,542
Rent subsidies:			
LRSP	2,222,786	-	2,222,786
HUD	2,016,489	-	2,016,489
Other	774,418	-	774,418
Total Revenue	<u>16,230,427</u>	<u>70,000</u>	<u>16,300,427</u>
Net Assets Released from Restriction			
Satisfaction of restriction	299,479	(299,479)	-
Total Revenues and Other Support	<u>16,529,906</u>	<u>(229,479)</u>	<u>16,300,427</u>
Expenses:			
Program services	12,721,061	-	12,721,061
Supporting services			
Management and general	2,529,138	-	2,529,138
Fundraising	301,008	-	301,008
Total Expenses	<u>15,551,207</u>	<u>-</u>	<u>15,551,207</u>
Change in net assets	978,699	(229,479)	749,220
Net assets beginning of year	416,225	450,891	867,116
Net Assets End of Year	<u>\$ 1,394,924</u>	<u>\$ 221,412</u>	<u>\$ 1,616,336</u>

The accompanying notes are an integral part of this financial statement.

PATHWAYS TO HOUSING DC

Statements of Functional Expenses For the Years Ended June 30, 2022 and 2021

	2022			
	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll related	\$ 8,486,976	\$ 1,431,003	\$ 241,497	\$ 10,159,476
Specific assistance to individuals	5,593,974	-	-	5,593,974
Professional fees	150,859	368,436	50,839	570,134
Office expense and other	322,630	252,776	12,676	588,082
Occupancy	427,313	72,140	12,246	511,699
Local transportation	91,417	5,772	-	97,189
Bad debt	-	61,033	-	61,033
Depreciation	75,824	12,801	2,173	90,798
	<u>\$ 15,148,993</u>	<u>\$ 2,203,961</u>	<u>\$ 319,431</u>	<u>\$ 17,672,385</u>
	2021			
	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll related	\$ 7,323,030	\$ 1,715,592	\$ 185,309	\$ 9,223,931
Specific assistance to individuals	4,412,555	-	-	4,412,555
Professional fees	139,170	360,365	85,191	584,726
Office expense and other	295,448	202,220	17,395	515,063
Occupancy	429,088	146,620	11,369	587,077
Local transportation	53,868	302	18	54,188
Bad debt	-	88,229	-	88,229
Depreciation	67,902	15,810	1,726	85,438
	<u>\$ 12,721,061</u>	<u>\$ 2,529,138</u>	<u>\$ 301,008</u>	<u>\$ 15,551,207</u>

The accompanying notes are an integral part of these financial statements.

PATHWAYS TO HOUSING DC

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,936,648	\$ 749,220
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Depreciation expense	90,798	85,438
Realized and unrealized loss (gain) on investments	1,415	(116)
Bad debt expense	61,033	88,229
Change in allowance for doubtful account	(18,752)	(43,800)
PPP loan forgiveness grant	(1,591,600)	-
Donated stock	(38,649)	(69,074)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	34,716	(771,608)
Medicaid receivable	132,975	(224,386)
Contracts and grants receivable	(439,647)	(308,565)
Contributions receivable	(19,873)	114,789
Prepays and other assets	20,111	(23,352)
Accounts payable	129,097	75,935
Tenant rent allowance	(10,980)	(10,979)
Accrued payroll	44,570	160,274
Client funds	(106,131)	(21,119)
Grant advances	(382,944)	326,809
Net Cash From Operating Activities	<u>(157,213)</u>	<u>127,695</u>
Cash Flows from Investing Activities		
Reinvestment of dividends	(89)	(226)
Purchases of investments	(40,165)	-
Proceeds from sale of investments	1,416	74,246
Purchase of fixed assets	-	(85,509)
Net Cash From Investing Activities	<u>(38,838)</u>	<u>(11,489)</u>
Cash Flows from Financing Activities		
Payments on notes payable	(298,002)	(186,869)
Notes payable proceeds	-	288,687
Net (payments) proceeds on line of credit	(10,220)	110,620
Net Cash From Financing Activities	<u>(308,222)</u>	<u>212,438</u>
Change in cash, cash equivalents and restricted cash	(504,273)	328,644
Cash equivalents and restricted cash, beginning of year	1,943,393	1,614,749
Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,439,120</u>	<u>\$ 1,943,393</u>
Cash and cash equivalents	\$ 853,934	\$ 1,252,075
Restricted cash - client funds	585,186	691,318
Total cash, cash equivalents and restricted cash	<u>\$ 1,439,120</u>	<u>\$ 1,943,393</u>
Supplemental Information		
Cash paid for interest	<u>\$ 4,735</u>	<u>\$ 5,138</u>

The accompanying notes are an integral part of these financial statements.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

1. 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 seventeen 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of Pathways DC are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Pathways DC considers all highly liquid instruments purchased with a maturity of three (3) months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts and grant receivable represent outstanding balances from various Federal and local government agencies. Receivables are valued at management's estimate of the net realizable value. An allowance for doubtful accounts, if needed, is based on specific identification of uncollectible accounts and Pathways DC's historical collection experience and current knowledge.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give/Contributions Receivable

Contributions are recognized when the donor makes an unconditional promise to give to Pathways DC. In accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The discount is computed using rates applicable to the facts and circumstances applicable to each of the promises to give. 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. The discount on long-term pledges was \$1,398 and \$11,567, as of June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the allowance for uncollectable accounts receivable was \$45,821 and \$54,404, respectively.

Fair Value Measurement

Accounting principles generally accepted in the United States of America establish 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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under accounting principles accepted in the United States of America are described below.

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Pathways DC has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

The asset's or liability's 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.

Property and Equipment

Pathways DC capitalizes expenditures exceeding \$5,000 for property, equipment, and software having a useful life of 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 the asset using the straight-line method.

Client Funds

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. Once the Social Security Administration (SSA) approves client's participation, Pathways DC then receives monthly benefits for clients on a schedule determined by the SSA.

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 SSA.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net assets with donor restrictions are those whose use by Pathways DC has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2022 and 2021, there was \$565,099 and \$221,412, respectively, in net assets with donor restrictions for a specific time period or purpose.

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Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions may also consist of contributions received from donors, which are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and only the investment income be used. Investment income earned from such contributions is restricted to support the purpose designated. As of June 30, 2022 and 2021, there were no net assets with donor restrictions in perpetuity.

Revenue Recognition

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

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of Pathways DC. Fundraising costs are specific to the related activity. Shared costs are allocated to the program and supporting services based on appropriate allocation factors such as estimated time spent in those areas or square footage used. Salaries and benefits are charged to programs based on time and effort.

Income Tax

Pathways DC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Pathways DC has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1).

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Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. Pathways DC performed an evaluation of uncertain tax positions as of June 30, 2022 and determined that there were no matters that would require recognition in the accompanying financial statements, or which may have any effect on its tax-exempt status. As of June 30, 2022, the statute of limitations for fiscal years 2019 through 2022 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which Pathways DC files tax returns. It is Pathways DC's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require recording of changes to the statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard is effective for periods beginning after December 15, 2021.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. The objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. This standard will be effective for periods beginning after December 15, 2022.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates.

Liquidity and Availability of Resources

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

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

Financial Assets at Year-End	2022	2021
Cash	\$ 853,934	\$ 1,252,075
Restricted cash - client funds	585,186	691,318
Accounts receivable, net	754,664	789,380
Medicaid receivable	364,779	497,754
Contracts and grants receivable	2,463,720	2,024,073
Contributions receivable, net of discount and allowance	172,529	194,937
	<u>5,194,812</u>	<u>5,449,537</u>
Less those unavailable for general expenditures within one year, due to		
Restricted cash - client funds	585,186	691,318
Donor restriction	391,858	4,213
Contributions receivables, after one year	22,901	50,683
	<u>999,945</u>	<u>746,214</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,194,867	\$ 4,703,323

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

Subsequent Events

Pathways DC's management evaluated the accompanying financial statements for subsequent events and transactions through June 21, 2024, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodology used for investments measured at fair value.

Money market and common stock: Valued at the quoted closing price reported on the active markets on which the funds are traded.

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Notes to the Financial Statements June 30, 2022 and 2021

3. INVESTMENTS (continued)

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Pathways DC believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used as of June 30, 2022 and 2021.

The following tables set forth by level, the fair value hierarchy of Pathways DC's investments at fair value as of June 30, 2022 and 2021:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 30,799	\$ -	\$ -	\$ 30,799
Common stock	11,525	-	-	11,525
Total	<u>\$ 42,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,324</u>

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market	\$ 3,485	\$ -	\$ -	\$ 3,485

For the years ended June 30, 2022 and 2021, investment income consisted of the following:

	2022	2021
Interest and dividends, net	\$ 3,574	\$ 76,623
Unrealized/realized (loss) gain	(1,415)	116
	<u>\$ 2,159</u>	<u>\$ 76,739</u>

4. CONTRIBUTION RECEIVABLES

Contribution receivables as of June 30, are due as follows:

	2022	2021
Less than one year	\$ 196,847	\$ 210,225
One to five years	22,901	46,683
Greater than five years	-	4,000
Total	<u>219,748</u>	<u>260,908</u>
Less:		
Allowance for uncollectible accounts receivable	45,821	54,404
Discount on long-term pledges	1,398	11,567
Total unconditional promises to give	<u>\$ 172,529</u>	<u>\$ 194,937</u>

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

5. FURNITURE, EQUIPMENT, AND IMPROVEMENTS

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

	<u>2022</u>	<u>2021</u>	<u>Useful Life</u>
Furniture and equipment	\$ 33,184	\$ 33,184	3 to 5 years
Automobiles	150,771	174,130	3 to 5 years
Leasehold improvements	226,484	226,484	Life of the lease
Software	123,726	123,726	3 to 5 years
	<u>534,165</u>	<u>557,524</u>	
Less accumulated depreciation	387,713	320,274	
	<u>\$ 146,452</u>	<u>\$ 237,250</u>	

For the years ended June 30, 2022 and 2021, depreciation expense was \$90,798 and \$85,438, respectively.

6. NOTES PAYABLE

Notes payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Notes payable - bank, interest rate of 6.8% and 11.3%, payments of \$302 and \$399 are due monthly through December 2023 and November 2025. Secured by automobiles.	\$ 32,051	\$ 41,366
Note payable - local non profit, interest rate of 0%, balance of unsecured note was paid off as of June 2022.	-	288,687
	<u>\$ 32,051</u>	<u>\$ 330,053</u>

In accordance with U.S. GAAP, Pathways DC imputed interest expense and in-kind revenue for the 0% interest debt in the amount of \$14,500 for the year ended June 30, 2021. It is included in other revenue and office expense, and other in the accompanying financial statements. There was no imputed interest expense and in-kind revenue for the 0% interest debt for the year ended June 30, 2022.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

6. NOTES PAYABLE (continued)

Future principal payments are as follows as of June 30, 2022:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 10,268
2024	9,287
2025	8,612
2026	3,884
Total	\$ 32,051

7. LINE OF CREDIT

On November 23, 2021, Pathways DC signed the line of credit agreement in the amount of \$1,000,000 with a variable interest rate of the Wall Street Journal Prime Rate (3.25%) as of June 30, 2022, and is secured by a first priority blanket lien on all assets. The balance of the line of credit was \$100,400 and \$110,620, as of June 30, 2022 and 2021, respectively.

8. PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2020, Pathways DC received a Paycheck Protection Program (PPP) loan in the amount of \$1,591,600. The PPP loan was received from the U.S federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. The terms of the loan require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. Part or all of the loan may be forgiven based on meeting certain conditions as set forth in the loan agreement. Any portion of the PPP loan that is not forgiven must be repaid after a seven-month deferral period at an interest rate of 1%.

Pathways DC had initially recorded the loan as a liability and accrued interest on the loan. On July 8, 2021, the loan was fully forgiven. The loan forgiveness has been recorded as grant revenue on the statement of activities and changes in net assets for the year ended June 30, 2022.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements June 30, 2022 and 2021

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by Pathways DC has been restricted by donors primarily for a specific time period or purpose. As of June 30, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 173,241	\$ 217,199
Purpose restricted	391,858	4,213
	<u>\$ 565,099</u>	<u>\$ 221,412</u>

10. COMMITMENT AND CONTINGENCIES

Operating Leases

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 expenses were \$329,974 and \$314,319, for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the future minimum rentals payments are as follows:

<u>For the Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 226,220
	<u>\$ 226,220</u>

Pathways DC signed a copier lease effective July 1, 2020 through June 30, 2023, with monthly rental payments of approximately \$2,600. Rent expense was \$31,200 for each of the years ended June 30, 2022 and 2021.

As of June 30, 2022, the future minimum rental payments are as follows:

<u>For the Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 31,200
	<u>\$ 31,200</u>

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 its 403(b) plan to include an employer matching provision of 3%. Contributions were \$106,380 and \$172,307, for the years ended June 30, 2022 and 2021, respectively.

SUPPLEMENTAL INFORMATION



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Pathways to Housing DC
Washington, DC

We have audited, in accordance with the 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, the financial statements of Pathways to Housing DC (Pathways DC), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pathways DC's basic financial statements and have issued our report thereon dated June 21, 2024.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pathways DC's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pathways DC's internal controls. Accordingly, we do not express an opinion on the effectiveness of Pathways DC's internal controls.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. We identified a deficiency in internal controls, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pathways DC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pathways DC's Response to Finding

Pathways DC's response to the findings identified in our audit is described in the accompanying schedule of Corrective Action Plan. Pathways DC's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pathways DC's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pathways DC's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
June 21, 2024





**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Directors
Pathways to Housing DC
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pathways to Housing DC's (Pathways DC) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Pathways DC's major Federal programs for the year ended June 30, 2022. Pathways DC's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pathways DC's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Pathways DC and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major Federal program. Our audit does not provide a legal determination of Pathways DC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pathways DC's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pathways DC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pathways DC's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pathways DC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pathways DC's internal controls over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pathways DC's internal controls over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal controls over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on Pathways DC's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Pathways DC's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Controls over Compliance

Our consideration of internal controls over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies in internal controls over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal controls over compliance that we consider to be significant deficiencies.

A deficiency in internal controls over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal controls over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Pathways DC's response to the internal controls over compliance findings identified in our audit described in the



Certified Public
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SBC Business Advisors

accompanying schedule of findings and questioned costs. Pathways DC's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Washington, D.C.
June 21, 2024

SBC + Company, LLC

PATHWAYS TO HOUSING D.C.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>	<u>Pass-Through Amount</u>
U.S. Department of Health and Human Services					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	None	N/A	93.243	\$ 425,422	\$ -
Health Resources & Services Administration Provider Relief Fund	None	N/A	93.498	386,526	-
Total U.S. Department of Health and Human Services				<u>811,948</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G001902	14.235	37,048	37,048
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G002003	14.235	104,065	104,065
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G001909	14.235	136,151	136,151
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G002010	14.235	281,783	281,783
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002002	14.235	588,304	588,304
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002103	14.235	295,571	295,571
Total Supportive Housing Program				<u>1,442,922</u>	<u>1,442,922</u>
Continuum of Care Program	None	None	14.267	340,245	-
Continuum of Care Program	None	None	14.267	171,627	-
Continuum of Care Program	None	None	14.267	405,054	-
Total Continuum of Care Program				<u>916,926</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>2,359,848</u>	<u>1,442,922</u>
U.S. Department of Veterans Affairs					
VA-Assertive Community Case Management Service	None	None	64.033	1,358,710	-
Total Department of Veterans Affairs				<u>1,358,710</u>	<u>-</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 4,530,506</u>	<u>\$ 1,442,922</u>

The accompanying notes are an integral part of this schedule.

PATHWAYS TO HOUSING DC

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Pathways for Housing DC (Pathways DC) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the Office of Management and Budget Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards (the Schedule) represent all Federal award programs with fiscal year 2022 cash or non-cash expenditure activities. For Single Audit testing, we tested to ensure coverage of at least 40% of Federally granted funds. Actual coverage is 50%. The major programs tested are listed below.

Pathways DC uses approved indirect cost rates for the Department of Veteran Affairs, HUD 27 (DC0002L3G001707), and HUD 65 (DC0044L3G001710). All other grants use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the Federal grants.

<u>Grant Programs</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditure</u>
Continuum of Care Program	14.267	\$ 916,926
VA-Assertive Community Case Management Service	64.033	1,358,710
		<u>\$ 2,275,636</u>

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of Pathways DC presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in the Single Audit.

PATHWAYS TO HOUSING DC

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Section I – Summary of Independent Public Accountants’ Results

Type of Report of Independent Public Accountants issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to the financial statements noted? No

Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major Federal programs: Unmodified

Internal controls over major Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Audit finding disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance Yes

Identification of Major Programs:

<u>Grant Programs</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditure</u>
Continuum of Care Program	14.267	\$ 916,926
VA-Assertive Community Case Management Service	64.033	1,358,710
		<u>\$ 2,275,636</u>
Threshold for distinguishing between Type A and B programs		\$ 750,000
Auditee qualified as a low risk auditee?		No

Section II - Financial Statement Findings

See finding 2022-001.

Section III - Federal Award Findings

See finding 2022-002.

PATHWAYS TO HOUSING DC

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Finding No. 2022-001

Program: All

Repeat Finding: Yes

Significant Deficiency Over Financial Reporting

Condition:

The fiscal year was not closed in a timely manner for 2022. The fiscal year ended June 30, 2022 and audit was not started until October 2023.

Criteria:

In accordance with Uniform Guidance, Pathways DC must maintain an adequate system of internal controls over financial reporting to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles. Additionally, § 200.510 requires the auditee to prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.

Cause:

Pathways DC did not have adequate processes in place to ensure accounts are closed and reconciled in a timely manner.

Effect:

The delay in completing account analysis for the financial statement accounts could allow for misstatements, errors, and irregularities to go undetected. Also, accurate and timely financial information may not have been available to make management decisions.

Questioned Costs:

None.

Recommendation:

We recommend Pathways DC develop formal written procedures for the monthly and year-end financial reporting procedures and checklists to assist in the closure and preparation of its financial statements. These policies should ensure reconciliations and other account analyses are completed and reviewed by appropriate supervisory personnel in a timely manner.

Auditee Response and Corrective Action Plan:

Refer to management's corrective action plans.

Auditor's Conclusion:

Finding remains as stated.

PATHWAYS TO HOUSING DC

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Finding No. 2022-002

Program: All

Significant Deficiency and Noncompliance over Reporting

Repeat Finding: Yes

Condition:

Pathways DC was not able to complete the preparation of the financial statements in accordance with the Federal government's Office of Management and Budget's (OMB) time constraints. OMB requires the submission of a single audit reporting package through the Federal Audit Clearinghouse (FAC). The reporting package, which includes the financial statement audit and single audit, must be filed no later than nine months after the fiscal year end. The date would be March 31, 2023.

Criteria:

In accordance with 2 CFR § 200.512, the audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Cause:

Control processes over financial reporting did not function as designed, resulting in the late FAC submission.

Effect:

The FAC submission was filed late.

Recommendation:

We recommend Pathways DC review the existing financial reporting policies and procedures to ensure sufficient information is made available in a timely manner to allow for filing required reports with OMB before the due date.

Auditee Response and Corrective Action Plan:

Refer to management's corrective action plans.

Auditor's Conclusion:

Finding remains as stated.

PATHWAYS TO HOUSING DC

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2022

Financial Statement Finding Finding No. 2021-001

Program: All

Repeat Finding: No

Significant Deficiency Over Financial Reporting

Condition:

The fiscal year was not closed in a timely manner for 2021. The fiscal year ended June 30, 2021 audit was not started until January 2023.

Criteria:

In accordance with Uniform Guidance, Pathways DC must maintain an adequate system of internal controls over financial reporting to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles. Additionally, § 200.510 requires the auditee to prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited.

Cause:

Pathways DC did not have adequate processes in place to ensure accounts are closed and reconciled in a timely manner.

Effect:

The delay in completing account analysis for the financial statement accounts could allow for misstatements, errors, and irregularities to go undetected. Also, accurate and timely financial information may not have been available to make management decisions.

Questioned Costs:

None.

Recommendation:

We recommend Pathways DC develop formal written procedures for the monthly and year-end financial reporting procedures and checklists to assist in the closure and preparation of its financial statements. These policies should ensure reconciliations and other account analyses are completed and reviewed by appropriate supervisory personnel in a timely manner.

Current Year Status:

See 2022-001 finding.

PATHWAYS TO HOUSING DC

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2022

Financial Statement Finding Finding No. 2021-002

Program: All

Significant Deficiency and Noncompliance over Reporting

Repeat Finding: Yes

Condition:

Pathways DC was not able to complete the preparation of the financial statements in accordance with the federal government's Office of Management and Budget's (OMB) time constraints. OMB requires the submission of a single audit reporting package through the Federal Audit Clearinghouse (FAC). The reporting package, which includes the financial statement audit and single audit, must be filed no later than nine months after the fiscal year end. The date would be March 31, 2022.

Criteria:

In accordance with 2 CFR § 200.512, the audit must be completed, and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Cause:

Control processes over financial reporting did not function as designed resulting in the late FAC submission.

Effect:

The FAC submission was filed late.

Recommendation:

We recommend Pathways DC review the existing financial reporting policies and procedures to ensure sufficient information is made available in a timely manner to allow for filing required reports with OMB before the due date.

Current Year Status:

See 2022-002 finding.

PATHWAYS TO HOUSING DC

Corrective Action Plan For the Year Ended June 30, 2022



June 20, 2024

SB & Company, LLC
1200 G Street, NW, Suite 821
Washington, DC 20004

RE: Response to FY22 Audit Finding

To Whom it May Concern,

Finding 2022-01 Response: Pathways to Housing DC management understands the need for closing and reconciling accounts timely and have worked with their outsourced CPA firm to create a monthly checklist to ensure that accounts are reconciled each month during the close.

Finding 2022-02 Response: Pathways to Housing DC management understands this responsibility and is working diligently with their outsourced CPA firm and their auditors to get caught up effective for the fiscal year 2023 submission.

If you have any questions or need any further information, please contact our Chief Operating Officer, Kelly Pence at kpence@pathwaysdc.org or 202-290-7490.

Sincerely,

A handwritten signature in black ink, appearing to read "Christy", with a long horizontal flourish extending to the right.

Christy Respress
President & CEO