

PATHWAYS TO HOUSING DC

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

For the Years Ended June 30, 2023 and 2022

PATHWAYS TO HOUSING DC

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

JUNE 30, 2023 AND 2022

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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

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, 2023 and 2022, 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, 2023 and 2022, 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



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 September 27, 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 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.
September 27, 2024

SBC + Company, LLC

PATHWAYS TO HOUSING DC

Statements of Financial Position As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 682,999	\$ 853,934
Restricted cash - client funds	428,459	585,186
Accounts receivable, net	7,685	754,664
Medicaid receivable	641,982	364,779
Contracts and grants receivable	2,422,269	2,463,720
Contributions receivable, net	136,891	172,529
Investments	15,398	42,324
Prepaid and other assets	39,121	40,705
Deposits	184,713	66,305
Furniture, equipment and improvements, net	52,499	146,452
Right-of-use asset - operating, net	274,181	-
Total Assets	\$ 4,886,197	\$ 5,490,598
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 281,543	\$ 254,224
Tenant rent allowance	-	21,052
Accrued payroll and vacation payable	557,571	774,228
Client funds	428,459	585,187
Grant advances	220,546	170,472
Note payable	11,684	32,051
Lease liability - operating	290,143	-
Line of credit	200,000	100,400
Total Liabilities	1,989,946	1,937,614
Net assets		
Without donor restrictions	2,501,138	2,987,885
With donor restrictions	395,113	565,099
Total Net Assets	2,896,251	3,552,984
Total Liabilities and Net Assets	\$ 4,886,197	\$ 5,490,598

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, 2023, with Comparative Totals for 2022

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	
Revenues and Other Support				
Contributions	\$ 567,859	\$ 234,275	\$ 802,134	\$ 1,187,422
Federal grants and contracts	1,778,181	-	1,778,181	2,449,432
Other grants and contracts	8,477,092	-	8,477,092	7,625,137
Fee for service - Medicaid/local	2,255,846	-	2,255,846	2,283,211
Rent subsidies:				
HUD	1,760,806	-	1,760,806	2,081,074
LRSP/Other	2,599,617	-	2,599,617	2,319,053
PPP loan forgiveness grant	-	-	-	1,591,600
Other	48,981	-	48,981	72,104
Total Revenue	17,488,382	234,275	17,722,657	19,609,033
Net Assets Released from Restriction				
Satisfaction of restriction	404,261	(404,261)	-	-
Total Revenues and Other Support	17,892,643	(169,986)	17,722,657	19,609,033
Expenses				
Program services	15,205,826	-	15,205,826	15,148,993
Supporting services				
Management and general	2,629,966	-	2,629,966	2,203,961
Fundraising	543,598	-	543,598	319,431
Total Expenses	18,379,390	-	18,379,390	17,672,385
Changes in net assets	(486,747)	(169,986)	(656,733)	1,936,648
Net assets beginning of year	2,987,885	565,099	3,552,984	1,616,336
Net Assets End of Year	\$ 2,501,138	\$ 395,113	\$ 2,896,251	\$ 3,552,984

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, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues and Other Support:			
Contributions	\$ 662,422	\$ 525,000	\$ 1,187,422
Federal grants and contracts	2,449,432	-	2,449,432
Other grants and contracts	7,625,137	-	7,625,137
Fee for service - Medicaid/local	2,283,211	-	2,283,211
Rent subsidies:			
HUD	2,081,074	-	2,081,074
LRSP/Other	2,319,053	-	2,319,053
PPP loan forgiveness grant	1,591,600	-	1,591,600
Other	72,104	-	72,104
Total Revenue	<u>19,084,033</u>	<u>525,000</u>	<u>19,609,033</u>
Net Assets Released from Restriction			
Satisfaction of restriction	181,313	(181,313)	-
Total Revenues and Other Support	<u>19,265,346</u>	<u>343,687</u>	<u>19,609,033</u>
Expenses:			
Program services	15,148,993	-	15,148,993
Supporting services			
Management and general	2,203,961	-	2,203,961
Fundraising	319,431	-	319,431
Total Expenses	<u>17,672,385</u>	<u>-</u>	<u>17,672,385</u>
Change in net assets	1,592,961	343,687	1,936,648
Net assets beginning of year	1,394,924	221,412	1,616,336
Net Assets End of Year	<u>\$ 2,987,885</u>	<u>\$ 565,099</u>	<u>\$ 3,552,984</u>

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

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Statements of Functional Expenses For the Years Ended June 30, 2023 and 2022

	2023			
	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll related	\$ 8,728,892	\$ 1,823,444	\$ 411,366	\$ 10,963,702
Specific assistance to individuals	5,046,193	-	-	5,046,193
Professional fees	240,407	412,888	66,420	719,715
Office expense and other	493,492	232,179	33,952	759,623
Occupancy	484,133	102,212	24,565	610,910
Local transportation	103,898	7,772	-	111,670
Bad debt	38,734	36,676	3,739	79,149
Depreciation	70,077	14,795	3,556	88,428
	<u>\$ 15,205,826</u>	<u>\$ 2,629,966</u>	<u>\$ 543,598</u>	<u>\$ 18,379,390</u>

	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>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (656,733)	\$ 1,936,648
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Depreciation expense	88,428	90,798
Loss on sales of fixed assets	5,525	-
Realized and unrealized (gain) loss on investments	(4,637)	1,415
Bad debt expense	79,149	61,033
Change in allowance for doubtful account	(10,066)	(18,752)
PPP loan forgiveness grant	-	(1,591,600)
Donated stock	(40,481)	(38,649)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	746,979	34,716
Medicaid receivable	(277,203)	132,975
Contracts and grants receivable	41,451	(439,647)
Contributions receivable	(33,445)	(19,873)
Prepays and other assets	46,702	20,111
Deposits	(118,408)	-
Non-cash lease expense	15,962	-
Accounts payable	27,319	129,097
Tenant rent allowance	(21,052)	(10,980)
Accrued payroll and vacations payable	(216,657)	44,570
Client funds	(156,728)	(106,131)
Grant advances	50,074	(382,944)
Net Cash From Operating Activities	<u>(433,821)</u>	<u>(157,213)</u>
Cash Flows From Investing Activities		
Reinvestment of dividends	(523)	(89)
Purchases of investments	27,449	(40,165)
Proceeds from sale of investments	-	1,416
Net Cash From Investing Activities	<u>26,926</u>	<u>(38,838)</u>
Cash Flows From Financing Activities		
Payments on notes payable	(20,367)	(298,002)
Net (payments) proceeds on line of credit	99,600	(10,220)
Net Cash From Financing Activities	<u>79,233</u>	<u>(308,222)</u>
Change in cash, cash equivalents and restricted cash	(327,662)	(504,273)
Cash equivalents and restricted cash, beginning of year	1,439,120	1,943,393
Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,111,458</u>	<u>\$ 1,439,120</u>
Cash and cash equivalents	\$ 682,999	\$ 853,934
Restricted cash - client funds	428,459	585,186
Total cash, cash equivalents and restricted cash	<u>\$ 1,111,458</u>	<u>\$ 1,439,120</u>
Supplemental Information		
Cash paid for interest	<u>\$ 1,726</u>	<u>\$ 4,735</u>

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

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

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 Medicaid Receivable

Accounts and Medicaid receivable represent outstanding balances at year end. Receivables are for services provided to clients. 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 payers uncollectible accounts and Pathways DC's historical collection experience and current knowledge. The estimated allowance for doubtful accounts for services received was zero as of June 30, 2023 and 2022.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

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 \$327 and \$1,398, as of June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the allowance for uncollectable accounts receivable was \$35,755 and \$45,821, 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 the entity 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.

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.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

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 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.

Right-of-Use Asset and Lease Liability

Pathways DC records right-of-use assets related to the office facility where Pathways DC conducts its operations, and a vehicle used in operations. Pathways DC's leases were recorded at \$292,314 and \$20,941 for the office facility and vehicle, respectively, which represented its present value of the total lease payments on November 1, 2022 and August 18, 2022, at adoption. The right-of-use assets are being amortized over the term of the lease. During the year ended June 30, 2023, the amortization expense related to the right-to-use assets were \$32,989, and \$6,086 and are included in management and general expenses in the Statement of Activities. As of June 30, 2023, the net present value of the right-of-use assets was \$274,181.

The lease liability represents the future commitments for Pathway DC's office and vehicle leases. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that Pathways DC is reasonably certain to exercise. The lease liability is discounted using Pathways DC's estimated borrowing rate. Costs related to maintenance and other janitorial services are expensed as incurred.

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.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and 2022, there was \$395,113 and \$565,099, respectively, in net assets with donor restrictions for a specific time period or purpose.

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, 2023 and 2022, 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.

Pathways DC receives grants and contracts from Federal and District of Columbia (D.C.) and Maryland government agencies for various purposes. Revenue from government grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided. Revenue recognized in excess of revenue recognized is recognized as deferred revenue.

Pathways DC reviews contracts at inception to determine if they represent a single performance obligation or multiple performance obligations. Pathways DC's contracts contain a single performance obligation and revenue is recognized at the point in time the service obligation is met.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Professional services for clients are invoiced at unit rates. The primary payers for these services are Medicaid and local and Federal agencies. Patient service fee revenue is recognized at the time of service and is reported at the estimated net realizable amounts from patients and third-party payers as management estimated price concessions for such items as contractual allowances, potential adjustments that may arise from payments, and other services and uncollectible accounts. Generally, Pathway DC bills for its health care services approximately 3 weeks after services are performed. These amounts are included in income in the accompanying statements of activities and changes in net assets.

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).

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, 2023 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, 2023, the statute of limitations for fiscal years 2020 through 2023 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.

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Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update 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 this pronouncements on the financial statements and will implement this pronouncement by its 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.

Financial Assets at Year-End	2023	2022
Cash	\$ 682,999	\$ 853,934
Restricted cash - client funds	428,459	585,186
Accounts receivable, net	7,685	754,664
Medicaid receivable	641,982	364,779
Contracts and grants receivable	2,422,269	2,463,720
Contributions receivable, net of discount and allowance	136,891	172,529
	<u>4,320,285</u>	<u>5,194,812</u>
Less those unavailable for general expenditures within one year, due to		
Restricted cash - client funds	428,459	585,186
Donor restriction	264,493	391,858
Contributions receivables, after one year	6,401	22,901
	<u>699,353</u>	<u>999,945</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,620,932</u>	<u>\$ 4,194,867</u>

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

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Pathways DC's management evaluated the accompanying financial statements for subsequent events and transactions through September 27, 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.

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, 2023 and 2022.

The following tables set forth by level, the fair value hierarchy of Pathways DC's investments at fair value as of June 30, 2023 and 2022:

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market	\$ 216	\$ -	\$ -	\$ 216
Common stock	15,182	-	-	15,182
Total	<u>\$ 15,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,398</u>

	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>

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

3. INVESTMENTS (continued)

For the years ended June 30, 2023 and 2022, investment income consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net	\$ 2,360	\$ 3,574
Unrealized/realized gain (loss)	4,637	(1,415)
	<u>\$ 6,997</u>	<u>\$ 2,159</u>

4. CONTRIBUTION RECEIVABLES

Contribution receivables as of June 30 are due as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 166,572	\$ 196,847
One to five years	6,401	22,901
Total	172,973	219,748
Less:		
Allowance for uncollectible accounts receivable	35,755	45,821
Discount on long-term pledges	327	1,398
Total unconditional promises to give	<u>\$ 136,891</u>	<u>\$ 172,529</u>

5. FURNITURE, EQUIPMENT, AND IMPROVEMENTS

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

	<u>2023</u>	<u>2022</u>	<u>Useful Life</u>
Furniture and equipment	\$ 33,184	\$ 33,184	3 to 5 years
Automobiles	130,050	150,771	3 to 5 years
Leasehold improvements	226,484	226,484	Life of the lease
Software	123,726	123,726	3 to 5 years
	<u>513,444</u>	<u>534,165</u>	
Less: accumulated depreciation	460,945	387,713	
	<u>\$ 52,499</u>	<u>\$ 146,452</u>	

For the years ended June 30, 2023 and 2022, depreciation expense was \$88,428 and \$90,798, respectively.

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

6. NOTES PAYABLE

Notes payable consist of the following as of June 30:

	<u>2023</u>	<u>2022</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.	<u>\$ 11,684</u>	<u>\$ 32,051</u>
	<u>\$ 11,684</u>	<u>\$ 32,051</u>

Future principal payments are as follows as of June 30, 2023:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 8,612
2025	3,072
Total	<u>\$ 11,684</u>

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, 2023, and is secured by a first priority blanket lien on all assets with a maturity date of November 26, 2023. The balance of the line of credit was \$200,000 and \$100,400, as of June 30, 2023 and 2022, 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. All of the loan was forgiven based on meeting certain conditions as set forth in the loan agreement. On July 1, 2021, the loan was fully forgiven. The loan forgiveness was 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 For the Years Ended June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Time restricted	\$ 130,620	\$ 173,241
Purpose restricted	264,493	391,858
	<u>\$ 395,113</u>	<u>\$ 565,099</u>

10. 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. Pathways DC's 403(b) plan included an employer matching provision of 3%. Contributions were \$123,530 and \$106,380, for the years ended June 30, 2023 and 2022, respectively.

11. LEASE LIABILITY

Pathways DC has entered into a lease for office space that expires on March 1, 2028. The lease calls for monthly payments with annual increases over the life of the lease. As of June 30, 2023, the lease payable was \$279,747. The total principal payments for the year ended June 30, 2023 was \$12,567. The occupancy cost of the lease for the year ended June 30, 2023 was \$20,696. The lease was straight-lined over the term of the lease and the deferred rent is netted against the right-of-use asset.

Pathways DC has entered into a lease for a vehicle that expires on July 18, 2025. The lease calls for monthly payments of \$447. The total principal payments for the year ended June 30, 2023 were \$4,545. As of June 30, 2023, the lease payable was \$10,396. The rental cost of the lease for the year ended June 30, 2023 was \$4,914.

The following are the future minimum lease payments under Pathways DC's lease liability as of June 30, 2023:

<u>Years Ending June 30,</u>	<u>Amount</u>
2024	\$ 68,487
2025	70,068
2026	66,326
2027	67,984
2028	46,265
	<u>319,130</u>
Less: amounts representing interest	28,987
Total	<u><u>\$ 290,143</u></u>

PATHWAYS TO HOUSING DC

Notes to the Financial Statements For the Years Ended June 30, 2023 and 2022

12. CONTINGENT LIABILITIES

Most grants and cost reimbursable contracts specify the types of expenditures for which the grant or contract funds may be used. The expenditures made by Pathways DC under some of these grants and contracts are subject to audit. Management of Pathways DC does not believe that any such audit would result in a material effect on the accompanying financial statements.

13. HUMAN RESOURCES AND PERSONNEL SERVICES

Pathways DC is part of a co-employment arrangement with ADP TotalSource CO XXI, Inc. (ADP). ADP is a Certified Professional Employer Organization. ADP provides human resources services including payroll and tax withholding and reporting services. The expenses incurred during the years ended June 30, 2023 and 2022, for ADP's services are included in payroll and payroll related expenses in the statements of functional expenses.

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, 2023 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pathways DC's basic financial statements and have issued our report thereon dated September 27, 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 2023-001 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.
September 27, 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, 2023. 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, 2023.

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 an instance of noncompliance which is 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 2023-002. 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 2023-002 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
Accountants &
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.
September 27, 2024

SBC + Company, LLC

PATHWAYS TO HOUSING D.C.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<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	\$ 324,271	\$ -
Total U.S. Department of Health and Human Services				<u>324,271</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G002003	14.235	32,606	32,606
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G002104	14.235	86,544	86,544
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G002010	14.235	124,837	124,837
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G002111	14.235	311,576	311,576
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002103	14.235	539,586	539,586
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002204	14.235	259,687	259,687
Total Supportive Housing Program				<u>1,354,836</u>	<u>1,354,836</u>
Continuum of Care Program	None	N/A	14.267	308,080	-
Continuum of Care Program	None	N/A	14.267	136,831	-
Continuum of Care Program	None	N/A	14.267	345,213	-
Total Continuum of Care Program				<u>790,124</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>2,144,960</u>	<u>1,354,836</u>
U.S. Department of Veterans Affairs					
VA-Assertive Community Case Management Service	None	N/A	64.033	1,069,756	-
Total Department of Veterans Affairs				<u>1,069,756</u>	<u>-</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 3,538,987</u>	<u>\$ 1,354,836</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, 2023

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 2023 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 52%. The major programs tested are listed below.

Pathways DC uses approved indirect cost rates for all federal awards.

<u>Grant Programs</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditure</u>
Continuum of Care Program	14.267	\$ 790,124
VA-Assertive Community Case Management Service	64.033	<u>1,069,756</u>
		<u>\$ 1,859,880</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, 2023

Section II - Financial Statement Findings

See finding 2023-001.

Section III - Federal Award Findings

See finding 2023-002.

PATHWAYS TO HOUSING DC

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2023

Finding No. 2023-001

Program: All

Repeat Finding: Yes

Significant Deficiency Over Financial Reporting

Condition:

The fiscal year was not closed in a timely manner for 2023. The fiscal year ended June 30, 2023 and audit was not started until August 2024.

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 encountered substantial challenges with the completion of the FY22 audit. Consequently, the delay in finalizing the FY22 audit led to a postponement in commencing the FY23 audit, and the late FAC submission, resulting in this finding.

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 develop and monitor a detailed timetable for closing the fiscal year and preparing financial statements and applicable audit schedules. This should include specific deadlines for each phase of the process and staff responsible, from account reconciliation to the finalization of financial reports. This will ensure compliance with Uniform Guidance and ensure that future audits are completed 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, 2023

Finding No. 2023-002

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 have been March 31, 2024.

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, 2023

Financial Statement Finding Finding No. 2022-001

Program: All

Repeat Finding: No

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 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.

Current Year Status:

See 2023-001 finding.

PATHWAYS TO HOUSING DC

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2023

Financial Statement Finding 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.

Current Year Status:

See 2023-002 finding.

PATHWAYS TO HOUSING DC

Corrective Action Plan For the Year Ended June 30, 2023



September 26, 2024

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

RE: Response to FY23 Audit Finding

To Whom it May Concern,

Finding 2023-01 Response: Pathways to Housing DC has developed and monitors a detailed monthly close "checklist" to ensure timely reconciliations and finalization of financial reports. This has allowed us to keep on schedule for closing FY24 in a timely manner.

In addition, the Pathways finance team in coordination with their outsourced CPA firm has established a timeline to complete the additional schedules and reporting required for the FY24 financial statement audit. This proactive approach will allow us to identify and address any discrepancies early, ultimately leading to a more efficient and timelier audit.

Finding 2023-02 Response: Pathways to Housing DC management understands this responsibility and is working diligently with their outsourced CPA firm and their auditors to complete the FY24 audit in advance of the March 31, 2025, filing requirement.

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

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