

**PATHWAYS TO HOUSING DC**

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

**For the Years Ended June 30, 2025 and 2024**

# PATHWAYS TO HOUSING DC

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

JUNE 30, 2025 AND 2024

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors  
Pathways to Housing DC

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Pathways to Housing DC (Pathways DC), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Pathways DC as of June 30, 2025 and 2024, 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 audits.
- 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 audits 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 audits.

### **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 schedule of expenditures of federal awards 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 February 25, 2026, 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 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.  
February 25, 2026

*SBC + Company, LLC*

# PATHWAYS TO HOUSING DC

## Statements of Financial Position As of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash	\$ 1,454,337	\$ 559,772
Restricted cash - client funds	470,398	442,773
Accounts receivable	150,314	180,360
Medicaid receivable	1,508,495	1,390,904
Contracts and grants receivable	1,916,484	2,760,583
Contribution receivable, net	83,013	116,732
Investments	53,330	49,708
Prepaid and other assets	146,945	57,427
Deposits	98,974	98,974
Furniture, equipment and improvements, net	115,380	100,920
Right-of-use assets - operating, net	3,208,624	3,239,474
<b>Total Assets</b>	<b>\$ 9,206,294</b>	<b>\$ 8,997,627</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 200,138	\$ 267,957
Accrued payroll and vacation payable	692,765	1,038,673
Client funds	470,398	442,773
Grant advances	118,676	103,101
Note payable	1,942	6,248
Lease liabilities - operating	3,491,116	3,442,939
<b>Total Liabilities</b>	<b>4,975,035</b>	<b>5,301,691</b>
Net assets		
Without donor restrictions	3,963,855	3,426,868
With donor restrictions	267,404	269,068
<b>Total Net Assets</b>	<b>4,231,259</b>	<b>3,695,936</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,206,294</b>	<b>\$ 8,997,627</b>

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, 2025, with Comparative Totals for 2024

	2025			2024
	Without Donor Restriction	With Donor Restriction	Total	
<b>Revenues and Other Support</b>				
Contributions	\$ 776,532	\$ 228,641	\$ 1,005,173	\$ 1,151,059
Federal grants and contracts	1,897,872	-	1,897,872	1,670,288
Other grants and contracts	4,896,491	-	4,896,491	4,497,306
Fee for service - Medicaid/local	7,896,679	-	7,896,679	7,859,715
Rent subsidies:				
HUD	1,934,709	-	1,934,709	1,874,306
LRSP/Other	1,723,069	-	1,723,069	2,093,354
Other	87,575	-	87,575	59,838
<b>Total Revenue</b>	<b>19,212,927</b>	<b>228,641</b>	<b>19,441,568</b>	<b>19,205,866</b>
<b>Net Assets Released from Restriction</b>				
Satisfaction of restriction	230,305	(230,305)	-	-
<b>Total Revenues and Other Support</b>	<b>19,443,232</b>	<b>(1,664)</b>	<b>19,441,568</b>	<b>19,205,866</b>
<b>Expenses</b>				
Program services	15,523,475	-	15,523,475	15,434,525
Supporting services				
Management and general	2,933,902	-	2,933,902	2,578,646
Fundraising	448,868	-	448,868	393,010
<b>Total Expenses</b>	<b>18,906,245</b>	<b>-</b>	<b>18,906,245</b>	<b>18,406,181</b>
Changes in net assets	536,987	(1,664)	535,323	799,685
Net assets beginning of year	3,426,868	269,068	3,695,936	2,896,251
<b>Net Assets End of Year</b>	<b>\$ 3,963,855</b>	<b>\$ 267,404</b>	<b>\$ 4,231,259</b>	<b>\$ 3,695,936</b>

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, 2024

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenues and Other Support:</b>			
Contributions	\$ 816,784	\$ 334,275	\$ 1,151,059
Federal grants and contracts	1,670,288	-	1,670,288
Other grants and contracts	4,497,306	-	4,497,306
Fee for service - Medicaid/local	7,859,715	-	7,859,715
Rent subsidies:			
HUD	1,874,306	-	1,874,306
LRSP/Other	2,093,354	-	2,093,354
Other	59,838	-	59,838
<b>Total Revenue</b>	<u>18,871,591</u>	<u>334,275</u>	<u>19,205,866</u>
<b>Net Assets Released from Restriction</b>			
Satisfaction of restriction	460,320	(460,320)	-
<b>Total Revenues and Other Support</b>	<u>19,331,911</u>	<u>(126,045)</u>	<u>19,205,866</u>
<b>Expenses:</b>			
Program services	15,434,525	-	15,434,525
Supporting services			
Management and general	2,578,646	-	2,578,646
Fundraising	393,010	-	393,010
<b>Total Expenses</b>	<u>18,406,181</u>	<u>-</u>	<u>18,406,181</u>
Change in net assets	925,730	(126,045)	799,685
Net assets beginning of year	2,501,138	395,113	2,896,251
<b>Net Assets End of Year</b>	<u>\$ 3,426,868</u>	<u>\$ 269,068</u>	<u>\$ 3,695,936</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, 2025 and 2024

	2025			
	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll related	\$ 9,648,447	\$ 2,142,833	\$ 363,239	\$ 12,154,519
Specific assistance to individuals	4,038,516	-	-	4,038,516
Professional fees	604,185	306,526	33,336	944,047
Office expense and other	390,873	286,197	23,274	700,344
Occupancy	627,915	150,274	23,828	802,017
Local transportation	123,080	5,624	-	128,704
Bad debt	74,484	24,843	5,191	104,518
Depreciation	15,975	17,605	-	33,580
	<u>\$ 15,523,475</u>	<u>\$ 2,933,902</u>	<u>\$ 448,868</u>	<u>\$ 18,906,245</u>

  

	2024			
	Program Service	Supporting Services		Total
		Management and General	Fundraising	
Payroll and payroll related	\$ 9,340,530	\$ 1,774,889	\$ 289,546	\$ 11,404,965
Specific assistance to individuals	4,442,868	-	-	4,442,868
Professional fees	281,785	379,306	28,936	690,027
Office expense and other	529,749	285,875	24,557	840,181
Occupancy	609,244	111,759	19,176	740,179
Local transportation	150,693	6,869	-	157,562
Bad debt	66,850	-	30,795	97,645
Depreciation	12,806	19,948	-	32,754
	<u>\$ 15,434,525</u>	<u>\$ 2,578,646</u>	<u>\$ 393,010</u>	<u>\$ 18,406,181</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 535,323	\$ 799,685
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Depreciation expense	33,580	32,754
Realized and unrealized loss (gain) on investments	5,509	(2,119)
Bad debt expense	104,518	97,645
Change in allowance for credit losses	(8,883)	(5,002)
Donated stock	(70,188)	(31,197)
Non-cash lease expense	79,027	187,503
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	30,046	(172,675)
Medicaid receivable	(117,591)	(748,922)
Contracts and grants receivable	844,099	(338,314)
Contributions receivable	(61,916)	(72,484)
Prepays and other assets	(89,518)	(18,306)
Deposits	-	85,739
Accounts payable	(67,819)	(13,586)
Accrued payroll and vacations payable	(345,908)	481,102
Client funds	27,625	14,314
Grant advances	15,575	(117,445)
<b>Net Cash From Operating Activities</b>	<u>913,479</u>	<u>178,692</u>
<b>Cash Flows From Investing Activities</b>		
Reinvestment of dividends from investments	(705)	(994)
Proceeds from sale of investments	61,762	-
Purchases and improvements of property and equipment	(48,040)	(81,175)
<b>Net Cash From Investing Activities</b>	<u>13,017</u>	<u>(82,169)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on notes payable	(4,306)	(5,436)
Net payments on line of credit	-	(200,000)
<b>Net Cash From Financing Activities</b>	<u>(4,306)</u>	<u>(205,436)</u>
Change in cash and restricted cash	922,190	(108,913)
Cash and restricted cash, beginning of year	1,002,545	1,111,458
<b>Cash and Restricted Cash, End of Year</b>	<u>\$ 1,924,735</u>	<u>\$ 1,002,545</u>
Cash	\$ 1,454,337	\$ 559,772
Restricted cash - client funds	470,398	442,773
Total cash and restricted cash	<u>\$ 1,924,735</u>	<u>\$ 1,002,545</u>
<b>Supplemental Information</b>		
Cash paid for interest	<u>\$ 488</u>	<u>\$ 976</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, 2025 and 2024**

### **1. ORGANIZATION**

Pathways to Housing DC (Pathways DC), a non-profit organization formed in 2004 to end chronic homelessness and 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 twenty years worth of experience demonstrates that their model of providing housing with wraparound support services, 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.

#### **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 credit losses, if needed, is based on specific identification of payers' uncollectible accounts and Pathways DC's historical collection experience and current knowledge. There was no allowance for credit losses as of June 30, 2025 and 2024, as management deems the accounts fully collectable.

# PATHWAYS TO HOUSING DC

## Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributions Receivable, Net

Contributions are recognized when the donor makes an unconditional promise to give to Pathways DC. 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. As of June 30, 2025 and 2024, the allowance for credit losses was \$21,870 and \$30,753, respectively.

#### Fair Value Measurements

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, 2025 and 2024**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Property and Equipment, Net**

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 Assets and Lease Liability**

The right-of-use assets are being amortized over the term of the leases. During the years ended June 30, 2025 and 2024, the amortization expense related to the right-to-use assets were \$324,346 and \$225,145, respectively, and are included in occupancy expenses in the statements of activities. As of June 30, 2025 and 2024, the net carrying value of the right-of-use assets was \$3,208,624, and \$3,239,474, respectfully.

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 that ranges between 4.25% to 4.37%. 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, 2025 and 2024

### 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.

Donor-restricted contributions are reported as increases in 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, 2025 and 2024, there was \$267,404 and \$269,068, 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, 2025 and 2024, 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 grant advances until expended for the purpose of the grants since they are conditional promises to give.

Pathways DC receives grants and contracts from federal, 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. Cash receipts in excess of revenue recognized is recorded as grant advances in the accompanying statement of financial position.

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, 2025 and 2024

### 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, Pathways DC bills for its health care services approximately 3 weeks after services are performed. These amounts are included in revenue 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. Management and general 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, 2025 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, 2025, the statute of limitations for fiscal years 2022 through 2025 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.

## PATHWAYS TO HOUSING DC

### Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Liquidity and Availability of Resources

The following reflects Pathways DC's financial assets as of June 30, 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.

<b>Financial Assets at Year-End</b>	<b>2025</b>	<b>2024</b>
Cash	\$ 1,454,337	\$ 559,772
Restricted cash - client funds	470,398	442,773
Accounts receivable	150,314	180,360
Medicaid receivable	1,508,495	1,390,904
Contracts and grants receivable	1,916,484	2,760,583
Contributions receivable, net of allowance	83,013	116,732
	<u>5,583,041</u>	<u>5,451,124</u>
Less those unavailable for general expenditures within one year, due to		
Restricted cash - client funds	470,398	442,773
Donor restriction	200,884	168,518
Contributions receivables, after one year	494	1,520
	<u>671,776</u>	<u>612,811</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 4,911,265</u></b>	<b><u>\$ 4,838,313</u></b>

As part of Pathways DC's liquidity management, it invests cash in excess of daily requirements in savings accounts and has access to a \$1,000,000 line of credit.

##### Subsequent Events

Pathways DC's management evaluated the accompanying financial statements for subsequent events and transactions through February 25, 2026, 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.

# PATHWAYS TO HOUSING DC

## Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

### 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, 2025 and 2024.

The following tables set forth by level, the fair value hierarchy of Pathways DC's investments at fair value as of June 30, 2025 and 2024:

	As of June 30, 2025			
	Level 1	Level 2	Level 3	Total
Money market	\$ 237	\$ -	\$ -	\$ 237
Common stock	53,093	-	-	53,093
Total	<u>\$ 53,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,330</u>

  

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Money market	\$ 227	\$ -	\$ -	\$ 227
Common stock	49,481	-	-	49,481
Total	<u>\$ 49,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,708</u>

For the years ended June 30, 2025 and 2024, interest and investment income consisted of the following:

	2025	2024
Interest and dividends, net	\$ 10,635	\$ 6,643
Unrealized/realized (loss) gain	(5,509)	2,119
	<u>\$ 5,126</u>	<u>\$ 8,762</u>

## PATHWAYS TO HOUSING DC

### Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

#### 4. CONTRIBUTION RECEIVABLES

Contribution receivables as of June 30 are due as follows:

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 104,389	\$ 145,965
One to five years	494	1,520
Total	<u>104,883</u>	<u>147,485</u>
Less:		
Allowance for uncollectible accounts receivable	<u>21,870</u>	<u>30,753</u>
Total unconditional promises to give	<u>\$ 83,013</u>	<u>\$ 116,732</u>

#### 5. FURNITURE, EQUIPMENT, AND IMPROVEMENTS, NET

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

	<u>2025</u>	<u>2024</u>	<u>Useful Life</u>
Furniture and equipment	\$ 35,430	\$ 26,965	3 to 5 years
Automobiles	121,924	98,759	3 to 5 years
Leasehold improvements	60,620	54,210	Life of the lease
Software	119,876	109,876	3 to 5 years
	<u>337,850</u>	<u>289,810</u>	
Less: accumulated depreciation	<u>222,470</u>	<u>188,890</u>	
	<u>\$ 115,380</u>	<u>\$ 100,920</u>	

For the years ended June 30, 2025 and 2024, depreciation expense was \$33,580 and \$32,754, respectively.

#### 6. NOTE PAYABLE

Note payable consist of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Note payable - bank, interest rate of 11.83%, payments of \$399 were due monthly through November 2025. Secured by automobiles.	<u>\$ 1,942</u>	<u>\$ 6,248</u>

The future principal payment on the note is \$1,942 as of June 30, 2025. Interest expense was \$488 and \$976, for the years ended June 30, 2025 and 2024, respectively.

## PATHWAYS TO HOUSING DC

### Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

#### 7. LINE OF CREDIT

On November 23, 2021, Pathways DC signed a line of credit agreement in the amount of \$1,000,000 with a variable interest rate of the Wall Street Journal Prime Rate (9.0%) as of June 30, 2024, and is secured by a first priority blanket lien on all assets with a maturity date of November 6, 2024. In April 2025, the line of credit was extended to mature May 26, 2026 with a variable interest rate of the Wall Street Journal Prime Rate (7.5%) as of June 30, 2025 and a commitment fee of \$5,000. There was no balance outstanding on the line of credit as of June 30, 2025 and 2024.

#### 8. 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>2025</u>	<u>2024</u>
Time restricted	\$ 66,520	\$ 100,550
Purpose restricted	<u>200,884</u>	<u>168,518</u>
	<u>\$ 267,404</u>	<u>\$ 269,068</u>

#### 9. RETIREMENT PLAN

Pathways DC offers a 403(b) plan to substantially all employees. Employees are able to withhold the maximum limited by current law. Pathways DC's 403(b) plan included an employer matching provision of 3% of W-2 compensation, excluding bonuses. Employer contributions were \$163,356 and \$113,944, for the years ended June 30, 2025 and 2024, respectively.

#### 10. LEASE LIABILITIES

In July 2022, Pathways DC entered into a lease for office space in Montgomery County that expires on March 1, 2028. The lease calls for monthly payments with annual increases over the life of the lease. The lease's present value was remeasured in February 2025 due to an expansion of leased space from 3,148 rentable square feet to 5,558 rentable square feet, with no change to the expiration date. As of June 30, 2025 and 2024, the lease payable was \$434,261 and \$227,281, respectively. The occupancy cost of the lease for the years ended June 30, 2025 and 2024, was \$64,708 and \$63,128, respectively. The lease was straight-lined over the term of the lease and the deferred rent is netted against the right-of-use asset. The deferred rent balance was \$45,280 and \$18,971 as of June 30, 2025 and 2024, respectively.

## PATHWAYS TO HOUSING DC

### Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024

#### 10. LEASE LIABILITIES (continued)

Pathways DC moved into a leased office space in Washington, D.C. in September 2023, that expires on September 30, 2035. The lease calls for monthly payments with annual increases over the life of the lease. As of June 30, 2025 and 2024, the lease payable was \$3,056,855 and \$3,204,255, respectively. The occupancy cost of the lease for the years ended June 30, 2025 and 2024, was \$284,213 and \$273,344, respectively. The lease was straight-lined over the term of the lease and the deferred rent is netted against the right-of-use asset. The deferred rent balance was \$63,504 and \$134,494, as of June 30, 2025 and 2024, respectively. There was also a \$50,000 other asset related to the tenant improvement allowance as of June 30, 2024. The tenant improvements were completed and the \$50,000 was received in 2025.

In August 2022, Pathways DC has entered into a lease for a vehicle that expired on July 18, 2025. The lease called for monthly payments of \$447. As of June 30, 2025, the lease payable was zero. The lease payable was \$5,282 as of June 30, 2024. The rental cost of the lease for each of the years ended June 30, 2025 and 2024, was \$5,360.

In August 2023, Pathways DC has entered into a lease for a vehicle that expired on July 7, 2025. The lease called for monthly payments of \$521. As of June 30, 2025, the lease payable was zero. The lease payable was \$6,121 as of June 30, 2024. The rental cost of the lease for the years ended June 30, 2025 and 2024, was \$6,255 and \$5,734, respectively.

The following are the future minimum lease payments under Pathways DC's lease liabilities as of June 30, 2025:

<u>Years Ending June 30,</u>	<u>Amount</u>
2026	\$ 490,363
2027	502,624
2028	487,090
2029	357,594
2030	363,294
Thereafter	2,078,020
	<u>4,278,985</u>
Less: amounts representing interest	787,869
<b>Total</b>	<u><u>\$ 3,491,116</u></u>

#### 11. 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.

## **PATHWAYS TO HOUSING DC**

### **Notes to the Financial Statements For the Years Ended June 30, 2025 and 2024**

#### **12. LITIGATION**

Pathways DC may, from time to time, be involved in legal proceedings arising in the ordinary course of operations. As of June 30, 2025, management is not aware of any pending or threatened litigation or claims that would require disclosure or the recognition of a liability in 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, 2025 and 2024, 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, D.C.

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 (*Government Auditing Standards*), the financial statements of Pathways to Housing DC (Pathways DC), which comprise the statement of financial position as of June 30, 2025 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Pathways DC's basic financial statements and have issued our report thereon dated February 25, 2026.

***Report on 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 Pathways DC'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. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on 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*.

**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 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 Pathways DC's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.  
February 25, 2026

*SB + Company, LLC*



**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, D.C.

**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, 2025. Pathways DC's major federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pathways DC 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, 2025.

***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.

## Report on Internal Controls over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal controls over compliance may exist that were not identified.

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.

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.  
February 25, 2026

*SB + Company, LLC*

# PATHWAYS TO HOUSING DC

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2025

<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>
<b>U.S. Department of Housing and Urban Development</b>					
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G002205	14.235	\$ 26,436	\$ -
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0101L3G002306	14.235	94,414	-
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G002212	14.235	155,473	-
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0002L3G002313	14.235	276,984	-
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002305	14.235	620,154	-
Supportive Housing Program	Community Partnership for the Prevention of Homelessness	DC0086L3G002406	14.235	270,407	-
Total Supportive Housing Program				<u>1,443,868</u>	<u>-</u>
Continuum of Care Program	None	N/A	14.267	273,379	-
Continuum of Care Program	None	N/A	14.267	137,686	-
Continuum of Care Program	None	N/A	14.267	788,024	-
Total Continuum of Care Program				<u>1,199,089</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>2,642,957</u>	<u>-</u>
<b>U.S. Department of Veterans Affairs</b>					
VA-Assertive Community Case Management Service	None	N/A	64.033	1,189,624	-
<b>Total Department of Veterans Affairs</b>				<u>1,189,624</u>	<u>-</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$ 3,832,581</u>	<u>\$ -</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, 2025

### 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 program noted below. The programs on the schedule of expenditures of federal awards (the Schedule) represent all federal award programs with fiscal year 2025 cash or non-cash expenditure activities. For Single Audit testing, we tested to ensure coverage of at least 20% of federally granted funds. Actual coverage is 62%. The major programs tested are listed below.

Expenditures reported on the Schedule are recognized following the cost principles contained in the Single Audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pathways DC uses approved indirect cost rates for all federal awards. Pathways DC uses the 10% de minimis rate when allowed by the grantor.

<u>Grant Programs</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
Continuum of Care Program	14.267	\$ 1,199,089
VA-Assertive Community Case Management Service	64.033	1,189,624
		<u>\$ 2,388,713</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, 2025

### Financial Statements

#### 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?	None reported
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?	None reported

Audit finding disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance No

#### Identification of Major Programs:

Grant Programs	Federal Assistance Listing Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Continuum of Care Program	14.267	\$ 1,199,089
VA-Assertive Community Case Management Service	64.033	1,189,624
		\$ 2,388,713
Threshold for distinguishing between Type A and B programs		\$ 750,000
Auditee qualified as a low risk auditee?		Yes

**PATHWAYS TO HOUSING DC**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2025**

**Section II - Financial Statement Findings**

No findings.

**Section III - Federal Award Findings**

No findings.

**PATHWAYS TO HOUSING DC**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2025**

There were no findings reported for the June 30, 2024 audit.