

PATHWAYS TO HOUSING PA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2019)**



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**PATHWAYS TO HOUSING PA, INC.
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pathways to Housing PA, Inc.
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Pathways to Housing PA, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the organization adopted Accounting Standards (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited Pathways to Housing PA, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal, state and city 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* (Uniform Guidance) and the City of Philadelphia Subrecipient Audit Guide is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The program activity invoice summary and schedule of adjustments to the program activity invoice summary are presented for purposes of additional analysis as required by the City of Philadelphia Office of Mental Health - Department of Behavioral Health and Intellectual disAbility Services and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 24, 2020, on our consideration of Pathways to Housing PA, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Pathways to Housing PA, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pathways to Housing PA, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 24, 2020

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,470,241	\$ 1,621,619
Client Cash - Restricted	212,888	203,757
Accounts Receivable:		
Government, Net	1,826,542	1,834,598
Other, Net	379,092	347,138
Inventory	167,959	176,245
Prepaid Expenses and Other	526,427	526,022
Total Current Assets	6,583,149	4,709,379
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Equipment	531,917	309,154
Leasehold Improvements	390,356	292,780
Total	922,273	601,934
Less: Accumulated Depreciation	396,024	238,198
Total Property and Equipment	526,249	363,736
 Total Assets	 \$ 7,109,398	 \$ 5,073,115
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 313,675	\$ 148,759
Accrued Expenses	135,949	173,202
Accrued Payroll and Payroll Taxes	441,466	420,211
Deferred Revenue	194,549	41,128
Due to Clients	212,888	203,757
Total Current Liabilities	1,298,527	987,057
PRE-DEVELOPMENT LOAN	50,000	-
PAYCHECK PROTECTION PROGRAM LOAN	1,193,300	-
Total Liabilities	2,541,827	987,057
NET ASSETS		
Without Donor Restrictions	4,304,271	3,689,663
With Donor Restrictions	263,300	396,395
Total Net Assets	4,567,571	4,086,058
 Total Liabilities and Net Assets	 \$ 7,109,398	 \$ 5,073,115

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 6,878,580	\$ -	\$ 6,878,580	\$ 6,478,726
U.S. Department of Housing and Urban Development	4,288,496	-	4,288,496	3,677,434
City of Philadelphia Department of Behavioral Health	2,045,225	-	2,045,225	2,443,732
Other Contracts	731,016	-	731,016	1,253,122
Client Income	628,650	-	628,650	607,810
Foundation Grants	97,240	202,500	299,740	452,619
Contributions	704,537	-	704,537	703,214
Other Income	327,350	-	327,350	315,977
Net Assets Released from Restrictions	335,595	(335,595)	-	-
Total Support and Revenue	<u>16,036,689</u>	<u>(133,095)</u>	<u>15,903,594</u>	<u>15,932,634</u>
EXPENSES				
Program	13,251,477	-	13,251,477	12,282,280
Management and General	1,861,346	-	1,861,346	1,727,337
Fundraising	309,258	-	309,258	279,089
Total Expenses	<u>15,422,081</u>	<u>-</u>	<u>15,422,081</u>	<u>14,288,706</u>
CHANGE IN NET ASSETS	614,608	(133,095)	481,513	1,643,928
Net Assets - Beginning of Year	<u>3,689,663</u>	<u>396,395</u>	<u>4,086,058</u>	<u>2,442,130</u>
NET ASSETS - END OF YEAR	<u>\$ 4,304,271</u>	<u>\$ 263,300</u>	<u>\$ 4,567,571</u>	<u>\$ 4,086,058</u>

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020					2019	
	Housing First	Furniture Bank	Total Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Expenses	\$ 4,904,917	\$ 333,118	\$ 5,238,035	\$ 1,608,295	\$ 205,634	\$ 7,051,964	\$ 6,490,509
Bad Debt Expense	-	-	-	9,730	-	9,730	-
Client Gross Rent Expense	4,216,355	-	4,216,355	-	-	4,216,355	3,612,519
Client Housing Expenses	1,053,566	-	1,053,566	-	-	1,053,566	934,344
Clinical Expenses	65,305	-	65,305	-	-	65,305	37,342
Conferences and Meetings	48,061	3,788	51,849	25,036	2,868	79,753	80,240
Contract Service Payments and Professional Fees	446,543	32,427	478,970	41,036	51,314	571,320	933,344
Depreciation	132,575	-	132,575	20,516	4,735	157,826	55,982
Program Expenses - FB (Includes Delivery Exp)	-	738,786	738,786	-	-	738,786	787,557
Insurance	144,993	8,400	153,393	21,238	4,901	179,532	147,422
Miscellaneous	8,070	-	8,070	8,777	-	16,847	12,994
Occupancy Costs	275,035	78,478	353,513	54,711	12,625	420,849	408,665
Office Expenses	350,163	33,597	383,760	72,007	27,181	482,948	420,533
Other Client Expenses	344,844	-	344,844	-	-	344,844	346,115
Vehicle Costs	5,944	26,512	32,456	-	-	32,456	21,140
Total Expenses	<u>\$ 11,996,371</u>	<u>\$ 1,255,106</u>	<u>\$ 13,251,477</u>	<u>\$ 1,861,346</u>	<u>\$ 309,258</u>	<u>\$ 15,422,081</u>	<u>\$ 14,288,706</u>

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 481,513	\$ 1,643,928
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	157,826	55,982
Bad Debt	9,730	-
(Increase) Decrease in:		
Prepaid Expenses	(405)	(159,003)
Accounts Receivable	(33,628)	(773,391)
Inventory	8,286	(3,425)
Increase (Decrease) in:		
Accounts Payable	164,916	17,142
Accrued Expenses	(37,253)	(21,529)
Accrued Payroll and Payroll Taxes	21,255	99,720
Due to Clients	9,131	(28,749)
Deferred Revenue	153,421	(454,805)
Net Cash Provided by Operating Activities	934,792	375,870
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(320,339)	(301,700)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Pre-Development Loan	50,000	-
Paycheck Protection Program Loan	1,193,300	-
Net Cash Provided by Financing Activities	1,243,300	-
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,857,753	74,170
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	1,825,376	1,751,206
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	\$ 3,683,129	\$ 1,825,376
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ -	\$ 10

See accompanying Notes to Financial Statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pathways to Housing PA, Inc. (Pathways) is a nonprofit corporation formed under the laws of the Commonwealth of Pennsylvania. Pathways operates with the belief that housing is a basic human right for all people. Pathways provides housing and nonfidelity Assertive Community Treatment Services to people who have experienced chronic homelessness and have behavioral health and multiple other disabilities. Pathways' prioritized highly vulnerable clients are referred by the City of Philadelphia; therefore, the organization operates under the Medical Assistance guidelines for admission criteria. The Housing First Model has proved to be successful in housing people that have not been able to maintain housing with other agencies. In addition to housing placement, Pathways' clients are provided with support services such as case management, mental health counseling, addiction treatment services, medical services, vocational training, household and money management assistance, life skills training, and advocacy services. In December 2014, Pathways opened the Philadelphia Furniture Bank providing furnishings to those in need, primarily individuals and families moving out of homelessness, who are referred to Pathways by member agencies.

Pathways is primarily funded through contracts with governmental agencies such as the United States Department of Housing and Urban Development, City of Philadelphia Department of Behavioral Health and Intellectual Disability Services, City of Philadelphia Office of Homeless Services, and Community Behavioral Health (the City's medical assistance payor for behavioral health services).

Basis of Presentation

The financial statements of Pathways have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with Pathways' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents include demand deposit accounts.

Client Cash-Restricted/Due to Clients

Pathways, as part of Social Security's Representative Payment Program, provides financial management for the Social Security payments made to beneficiaries who are incapable of managing their payments. Restricted cash represents these funds that are held on behalf of Pathways clients. Pathways manages these resources to help create a stable living environment and ensure that the basic needs of food, shelter, clothing, and medical care are met.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained to recognize potential losses in Pathways accounts receivable. Management continually monitors accounts receivables for collectability. An allowance for doubtful accounts is based upon management's judgment and is established based on review of the types of individual accounts, collection history, and other pertinent factors. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off. At June 30, 2020, the amount of the overall allowance for accounts receivable was \$31,551.

Inventory

The Inventory for the Philadelphia Furniture Bank consists of slightly used furniture received from for-profit entities, nonprofit organizations, and individuals. The inventory value is based on estimates from various donation value guides. This furniture is provided to those in need, primarily individuals and families moving out of homelessness, who are referred to Pathways by member agencies. Ending inventory as of June 30, 2020 amounted to \$167,959.

In-kind contributions of furniture amounted to \$605,051 for the year ended June 30, 2020, which is included as part of contributions on the statement of activities.

Property and Equipment

Property and equipment are purchased and stated at cost. Donated property is recorded at fair value. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets as follows:

Furniture, Fixtures, and Equipment	3 to 8 Years
Leasehold Improvements	Term of Lease

Pathways capitalizes property and equipment acquisitions with a cost exceeding \$2,500. The cost of maintenance and repairs is charged to expense as incurred whereas significant renewals and betterments are capitalized.

Net Assets

Pathways classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the asset categories is as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use. Net assets without donor restrictions include operating funds. The board of directors has the ability to designate net assets without donor restrictions for specified purposes.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions or stipulations that require the principal to be invested in perpetuity and the income to be used to support Pathways objectives in accordance with the wishes of the donor.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Fee for Service – Fee for service revenue is recognized at the time the service is rendered and is based upon the billing rate and the allowable number of service units provided to the clients. Rates are established by the governmental agency and are subject to change. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered.

Client Income – Client Income represents each client's contribution to their housing rental expenses and represents 30% of their annual income net of allowable adjustments. Client income is recorded when earned to the extent that the related expenses have been incurred.

Grants and Contributions – Most of the grants and contributions received by Pathways are considered to be nonexchange transactions. Pathways recognizes these transactions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Pathways reviews each transaction to evaluate whether the grants and contributions received are conditional or unconditional. Both barriers and right of return/release need to exist in order to designate a contribution as conditional. Once designated, the revenue is recognized when the conditions are met.

Unconditional grants and contributions are recorded as those with donor restrictions or without donor restrictions depending on the existence of donor-imposed restrictions, typically limiting purpose or timing of the grant or contribution. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the these grants and contributions are recognized.

A portion of Pathways' revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Pathways has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as liabilities in the statement of financial position. Pathways received cost-reimbursable grants of \$2,097,369 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance

Pathways provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historic information. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management has recorded an allowance of \$31,551 as of June 30, 2020.

Functional Allocation of Expenses

The costs of supporting the program and other activities have been summarized on a functional basis in the statement of functional expenses. Specifically identifiable costs are assigned directly to the respective program and/ or supporting function.

The financial statements report certain costs that are attributable to one or more programs or supporting functions. These costs have been allocated by management based on reasonable allocation methods. Payroll and the associated payroll related costs are allocated based on time spent. Conference and meetings, Contract Service Payments and Professional Fees, Insurance and Office Expense are allocated based on specifically identifiable costs and head count between program, management and general and fundraising. Occupancy and depreciation costs are allocated based on head count between program, management and general and fundraising.

Income Tax Status

Pathways is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Pathways informational tax returns are subject to review and examination by federal, state, or local authorities. Pathways is not aware of any activities that would jeopardize its tax-exempt status.

Pathways follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard had no impact on Pathways to Housing PA, Inc.'s consolidated financial statements.

Management's Judgments and Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant management estimates and assumptions relate to determination of the allowance for doubtful accounts, the functional expense allocation, and the useful lives of fixed assets. Actual results could differ from those estimates.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made.

This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. To determine which guidance should be followed, grant documents have to be carefully analyzed. In addition, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purpose or timing. This ASU is applicable to both resource providers and resource recipients.

Pathways' financial statements reflect the application of ASU 2018-08 beginning July 1, 2019 using the modified retrospective approach. The implementation resulted in no change to the total previously reported revenue or net assets. Pathways has elected to defer the adoption of Topic 606 as afforded to nonprofit entities until the year ending June 30, 2021.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The provisions of ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2020. Pathways is assessing the impact this standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2021 with early adoption permitted. Pathways is assessing the impact this standard will have on its financial statements.

**PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Pathways has evaluated events and transactions for potential recognition or disclosures through November 24, 2020, the date the financial statements were available to be issued.

Since December 31, 2019, the spread of COVID-19 (coronavirus) has severely impacted many local economies around the globe. As a result of the spread of coronavirus which is ongoing at June 30, 2020, Pathways does not expect that the coronavirus outbreak will have an adverse effect on its business or financials results at this time.

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents potentially subject Pathways to a concentration credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

NOTE 3 ACCOUNTS RECEIVABLE – GOVERNMENT

As of June 30, 2020, accounts receivable – government are comprised of the following:

	Amount
City of Philadelphia Department of Behavioral Health	\$ 381,408
City of Philadelphia Office of Homeless Services	845,150
U.S. Department of Housing and Urban Development	132,529
City of Philadelphia Department of Behavioral Health Office of Addiction Services	135,600
ActionWellness	55,566
Substance Abuse and Mental Health Services Administration	97,568
City of Philadelphia Department of Behavioral Health Community Behavioral Health	178,721
Total Accounts Receivable - Government, Net	<u>\$ 1,826,542</u>

NOTE 4 DEBT

Line of Credit

Pathways has a revolving line of credit of \$1,000,000 with a commercial bank. The line is collateralized by the business assets of Pathways and bears interest at the bank's prime rate (5.25% as of June 30, 2020). There were no borrowings on this line of credit during the year ended June 30, 2020. The line expires August 9, 2021 and can be renewed on an annual basis. As of June 30, 2020, there was no outstanding balance on this line.

In October 2018, Pathways entered into an additional line of credit agreement with a commercial bank with an available line of \$162,000. The line bears interest at the bank's prime rate less 0.40% (3.25% as of June 30, 2020). This additional line of credit expired on April 22, 2020.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 DEBT (CONTINUED)

Paycheck Protection Program Loan

On May 7, 2020, Pathways entered a Term Note with a bank pursuant to the Paycheck Protection Program (the PPP) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The principal amount of the Note is \$1,193,300. In accordance with the requirements of the CARES Act, the Borrower will use the proceeds from the Note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs, rent, mortgage interest and utility costs. Interest accrues on the Note at the rate of 1.00% per annum. The Borrower may apply for forgiveness of amount due under the Note, in an amount equal to the sum of qualified expenses under the PPP, which include payroll costs, rent obligations, mortgage interest and covered utility payments incurred during the twenty-four weeks following disbursement under the Note.

The Borrower intends to use the entire proceeds under the Note for such qualifying expenses. Subject to any forgiveness under the PPP, the Note matures two years following the date of issuance of the Note and includes a period for the first six months during which time required payments of interest and principal are deferred. Beginning on the seventh month following the date of the Note, the Borrower is required to make 18 monthly payments of principal and interest. The Note may be prepaid at any time prior to maturity with no prepayment penalties. The Note provides for customary events of default, including, among others, those relating to failure to make payments, bankruptcy, breaches of representations and material adverse effects. The Borrower did not provide any collateral or guarantees for the Note.

Pre-Development Loan

On October 1, 2019, Pathways entered into a \$50,000 loan agreement. The funds were disbursed to Pathways in October 2019. The loan is for predevelopment construction costs including architectural and consulting fees. The loan carries a 0% interest rate for 24 months from the date of the promissory note and 12% thereafter until maturity date. The loan matures the earlier of 36 months from closing or the closing of predevelopment or construction financing.

For the year ended June 30, 2020, the outstanding balance on this loan was \$50,000.

Principal maturities of the two loans subsequent to June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 529,761
2022	700,762
2023	12,777
Total	<u>\$ 1,243,300</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 NET ASSETS

As of June 30, 2020, net assets with donor restrictions are restricted as to purpose and available for the following:

	<u>Amount</u>
Furniture Bank Supported Employment and Operations	\$ 189,762
Integrated Care Clinic	46,872
Time - General Support	<u>26,666</u>
Total	<u><u>\$ 263,300</u></u>

NOTE 6 EMPLOYEE BENEFIT PLAN

Pathways maintains a 401k Plan covering all eligible employees who have completed three months of service. Employees may contribute a percentage of their gross wages to the plan. Pathways makes a “nonelective” contribution of 3% of gross salary for all eligible employees regardless if they contribute or not. Total contributions for the year ended June 30, 2020 were \$150,184.

NOTE 7 OPERATING LEASE COMMITMENTS

Residential Apartments

Pathways leases approximately 465 residential apartments throughout the City of Philadelphia that serve as the housing units for the clients of the program. The various one-year leases have expiration dates throughout fiscal year 2020. Residential rental expense for the year ended June 30, 2020 totaled \$4,216,355.

Office Facilities

Pathways conducts its operations from facilities that are leased under a ten-year operating lease with an expiration date in 2022. There are two five-year renewal options under the contract that allow Pathways to lease the facility until 2032. Rental and occupancy expense for the year ended June 30, 2020 totaled \$333,833.

Furniture Bank Program

In October 2014, Pathways opened the Philadelphia Furniture Bank Program. The Philadelphia Furniture Bank program facilitates the collection and distribution of gently used donated furniture to individuals and families moving out of homelessness.

In June 2019, the Philadelphia Furniture Bank Program relocated and entered into a four-year operating lease with an expiration date in 2023. There is one three-year renewal option on the contract that allows Pathways to lease the facility until 2026. Rental and occupancy expense for the year ended June 30, 2020 totaled \$87,017.

PATHWAYS TO HOUSING PA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 OPERATING LEASE COMMITMENTS (CONTINUED)

Aggregate minimum annual rental payments under residential apartments, office facilities, and furniture bank leases at June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	\$ 3,133,702
2022	290,117
2023	51,561
Total	\$ 3,475,380

NOTE 8 CONCENTRATION OF REVENUES

Pathways operating revenue is primarily generated through contracts with federal, state and city governmental agencies. For the year ended June 30, 2020, this amount represented approximately 88% of total revenues. The total receivable from contracts with federal, state and city governmental agencies as of June 30, 2020 was approximately 83% of total accounts receivable.

NOTE 9 CONTRACTUAL ADJUSTMENTS

The contracts under which Pathways conducts its programs contain provisions defining costs, which are allowable and reimbursable within the program. Program billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined to date.

NOTE 10 LIQUIDITY

The below table reflects Pathways financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year as of June 30, 2020:

	Amount
Cash and Cash Equivalents	\$ 3,470,241
Accounts Receivable - Government	1,826,542
Accounts Receivable - Other	379,092
Total Financial Assets at Year-End	5,675,875
Less: Net Assets with Donor Restrictions	(263,300)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 5,412,575

As part of Pathways to Housing PA, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Pathways operates with a Board approved budget. In the event of an unanticipated liquidity need, Pathways could draw upon its line of credit.

PATHWAYS TO HOUSING PA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS
YEAR ENDED JUNE 30, 2020

Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award Period	Expenditures
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Continuum of Care	14.267	PA0433L3T001807	2/1/19 - 1/31/20	\$ 393,669
Continuum of Care	14.267	PA0433L3T001908	2/1/20 - 1/31/21	301,071
Continuum of Care	14.267	PA0504L3T001706	11/1/18 - 10/31/19	161,137
Continuum of Care	14.267	PA0504L3T001807	11/1/19 - 10/31/20	344,958
Continuum of Care	14.267	PA010L3T001811	7/1/19 - 6/30/20	347,229
Total				1,548,064
Pass-Through City of Philadelphia Office of Homeless Services				
Continuum of Care Program	14.267	19-20636	2/1/19 - 1/31/20	284,208
Continuum of Care Program	14.267	20-20568	2/1/20 - 1/31/21	217,031
Continuum of Care Program	14.267	19-20346	11/1/18 - 10/31/19	84,728
Continuum of Care Program	14.267	20-20299	11/1/19 - 10/31/20	188,149
Continuum of Care Program	14.267	19-20345	9/1/18 - 8/31/19	115,114
Continuum of Care Program	14.267	20-20279	9/1/19 - 8/31/20	638,989
Continuum of Care Program	14.267	20-20301	9/1/19 - 8/31/20	118,886
Total				1,647,105
Total CFDA 14.267				3,195,169
Pass-Through City of Philadelphia Department of Housing and Community Development				
Pass-Through Action Wellness				
Housing Opportunities for People with AIDS	14.241	19-20479	4/1/19 - 3/31/20	156,725
Housing Opportunities for People with AIDS	14.241	20-20521	4/1/20 - 3/31/21	55,566
Total CFDA 14.241				212,291
Total U.S. Department of Housing and Urban Development				3,407,460
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services:				
Projects of Regional and National Significance	93.243	5H79SM062310-03	9/30/18-9/29/19	103,829
Projects of Regional and National Significance	93.243	6H79SM062310-04M001	9/30/19-9/29/20	265,582
Total CFDA 93.243				369,411
Total U.S. Department of Health and Human Services				369,411
Total Federal Awards				3,776,871

See Notes to Schedule of Expenditures of Federal, State, and City Awards.

PATHWAYS TO HOUSING PA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award Period	Expenditures
STATE AWARDS				
State Financial Assistance				
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-0426	7/1/19 - 6/30/20	\$ 16,374
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-1236	7/1/19 - 6/30/20	97,920
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-2083	7/1/19 - 6/30/20	166,180
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-2295	7/1/19 - 6/30/20	417,444
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-2326	7/1/19 - 6/30/20	496,971
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0182-9826	7/1/19 - 6/30/20	219,363
Total				<u>1,414,252</u>
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services - Drug and Alcohol Abuse Services	N/A	17-20072-03	7/1/19 - 6/30/20	252,000
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services - Drug and Alcohol Abuse Services	N/A	PAC 0300-7200	4/1/19 - 9/30/19	15,450
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services - Drug and Alcohol Abuse Services	N/A	PAC 0300-7200	1/1/20 - 6/30/20	60,000
Total				<u>327,450</u>
Total State Awards				<u>1,741,702</u>
CITY AWARDS				
City Financial Assistance				
City of Philadelphia Office of Supportive Housing				
Continuum of Care	N/A	18-20223-02	7/1/19 - 6/30/20	316,359
Continuum of Care	N/A	19-20273-01	7/1/19 - 6/30/20	730,838
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-1236	7/1/19 - 6/30/20	10,880
Pass-Through City of Philadelphia Department of Behavioral Health and Intellectual disAbility Services	N/A	PAC 0100-2295	7/1/19 - 6/30/20	46,382
Total City Awards				<u>1,104,459</u>
Total Federal, State, and City Awards				<u>\$ 6,623,032</u>

See Notes to Schedule of Expenditures of Federal, State, and City Awards.

PATHWAYS TO HOUSING PA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND CITY AWARDS
JUNE 30, 2020

NOTE 1 GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state, and city awards (the Schedule) presents the activities in all federal, state, and city awards of Pathways to Housing PA, Inc. for the year ended June 30, 2020. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies or nonprofit organizations are included in the Schedule. The information in this Schedule is presented in accordance with the 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). During the year ended June 30, 2020, Pathways to Housing PA, Inc. did not pass-through federal funding to subrecipients.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding agencies because those reports may be submitted on either a cash or modified accrual basis of accounting.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal, state, and city award expenditures are reported on the statement of functional expenditures as program costs. However, expenditures in the schedule of expenditures of federal, state, and city awards for certain programs which have incurred deficits have been limited to the related contracted amount. In addition, for certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported on the schedule of expenditures of federal, state, and city awards due to program expenditures exceeding grant or contract budget limitations, which are not included as federal, state, and city financial assistance.

NOTE 4 INDIRECT COST RATE

Pathways to Housing PA, Inc. was eligible to use a federally approved indirect cost rate allowed under the Uniform Guidance of 13.25%.

PATHWAYS TO HOUSING PA, INC.
SCHEDULE OF ADJUSTMENT TO PROGRAM ACTIVITY INVOICE SUMMARY
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

Program Activity Code	HS-Program Enhancement 0100-2295	Res-Other- Homeless CBH Adm 0182-9826	ACT/CTT Homeless 0100-2326	AM-CMH Specialized Services 0100-2083	TCM- Homeless 0100-0426	CE- Supportive Employment 0100-1236
PROGRAM ACTIVITY SUMMARY AS ORIGINALLY SUBMITTED						
Personnel	\$ 1,564,919	\$ 755,058	\$ -	\$ -	\$ -	\$ 105,226
Operating	1,960,885	927,384	4,853,678	1,242,906	449,811	-
Administrative	564,129	269,191	-	-	-	16,836
Total Expenditures	<u>4,089,933</u>	<u>1,951,633</u>	<u>4,853,678</u>	<u>1,242,906</u>	<u>449,811</u>	<u>122,062</u>
Revenue	<u>3,626,107</u>	<u>1,732,270</u>	<u>4,356,707</u>	<u>1,076,726</u>	<u>433,437</u>	<u>13,262</u>
NET TO BE FUNDED	<u><u>\$ 463,826</u></u>	<u><u>\$ 219,363</u></u>	<u><u>\$ 496,971</u></u>	<u><u>\$ 166,180</u></u>	<u><u>\$ 16,374</u></u>	<u><u>\$ 108,800</u></u>
ADJUSTMENTS						
Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET TO BE FUNDED	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
AUDITED PROGRAM ACTIVITY INVOICE SUMMARY						
Personnel	\$ 1,564,919	\$ 755,058	\$ -	\$ -	\$ -	\$ 105,226
Operating	1,960,885	927,384	4,853,678	1,242,906	449,811	-
Administrative	564,129	269,191	-	-	-	16,836
Total Expenditures	<u>4,089,933</u>	<u>1,951,633</u>	<u>4,853,678</u>	<u>1,242,906</u>	<u>449,811</u>	<u>122,062</u>
Revenue	<u>3,626,107</u>	<u>1,732,270</u>	<u>4,356,707</u>	<u>1,076,726</u>	<u>433,437</u>	<u>13,262</u>
NET TO BE FUNDED	<u><u>\$ 463,826</u></u>	<u><u>\$ 219,363</u></u>	<u><u>\$ 496,971</u></u>	<u><u>\$ 166,180</u></u>	<u><u>\$ 16,374</u></u>	<u><u>\$ 108,800</u></u>



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SPECIFIED INDIRECT COST ALLOCATION REQUIREMENTS**

Board of Directors
Pathways to Housing PA, Inc.
Philadelphia, Pennsylvania

We have examined Pathways to Housing PA, Inc.'s compliance with allocating indirect costs reflected in the City of Philadelphia Office of Mental Health - Department of Behavioral Health and Intellectual disAbility Services program activity summary as required by the Commonwealth of Pennsylvania, Department of Human Services, Section 4300.94 of the Title 4300 Regulations for the year ended June 30, 2020. Management of Pathways to Housing PA, Inc. is responsible for Pathways to Housing PA, Inc.'s compliance with the specified requirements. Our responsibility is to express an opinion on Pathways to Housing PA, Inc.'s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Pathways to Housing PA, Inc. complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Pathways to Housing PA, Inc. complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Pathways to Housing PA, Inc.'s compliance with specified requirements.

In our opinion, Pathways to Housing PA, Inc. complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the board of directors, management, and the City of Philadelphia Office of Mental Health – Department of Behavioral Health and Intellectual disAbility Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 24, 2020



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

Board of Directors
Pathways to Housing PA, Inc.
Philadelphia, Pennsylvania

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 PA, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pathways to Housing PA, Inc.'s internal control over financial reporting (internal control) to determine the 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 to Housing PA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pathways to Housing PA, Inc.'s internal control.

A deficiency in internal control 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 control 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pathways to Housing PA, Inc.'s financial statements are free of 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 determination of financial statement amounts. 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 control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 24, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Pathways to Housing PA, Inc.
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Pathways to Housing PA, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pathways to Housing PA, Inc.'s major federal programs for the year ended June 30, 2020. Pathways to Housing PA, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pathways to Housing PA, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the City of Philadelphia Subrecipient Audit Guide. Those standards and the Uniform Guidance and the City of Philadelphia Subrecipient Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pathways to Housing PA, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pathways to Housing PA, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Pathways to Housing PA, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Pathways to Housing PA, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pathways to Housing PA, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pathways to Housing PA, Inc.'s internal control over compliance.

A deficiency in internal control 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 control over compliance* is a deficiency, or combination of deficiencies, in internal control 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 control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 24, 2020

**PATHWAYS TO HOUSING PA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.515(d)(2) of the Uniform Guidance? _____ yes X no

Identification of Major Federal Programs

CFDA Number	Name of Federal Program or Cluster
14.267	Continuum of Care
Dollar threshold used to distinguish between Type A or Type B programs was:	<u>\$ 750,000/ \$187,500</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes _____no

PATHWAYS TO HOUSING PA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR section 200.515(d)(2) of the Uniform Guidance.

Section IV – Prior Audit Findings

There were no findings in the prior year that were required to be reported.

