

**PATHWAYS, INC.
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2021**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pathways, Inc.
Birmingham, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pathways, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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, Inc. as of December 31, 2021, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, Inc. and to meet our other ethical responsibilities, in accordance with the 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 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 control 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, Inc.'s ability to continue as a going concern within one year after the date 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 generally accepted 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pathways, Inc.'s internal control. 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways, Inc.'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 control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Pathways, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haynes Downard LLP

Haynes Downard LLP
Birmingham, Alabama

August 17, 2022



PATHWAYS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 901,479	\$ 479,498
Grants receivable	152,904	135,588
Property and equipment, net	402,656	349,501
Total Assets	\$ 1,457,039	\$ 964,587
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 28,307	\$ 7,372
Accrued expenses	9,422	18,486
Amount due to HUD	-	145,038
Total liabilities	37,729	170,896
Net Assets		
Without donor restrictions	1,131,214	633,183
With donor restrictions	288,096	160,508
Total net assets	1,419,310	793,691
Total Liabilities and Net Assets	\$ 1,457,039	\$ 964,587



PATHWAYS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Gains				
Contributions	\$ 105,716	\$ 197,840	\$ 303,556	\$ 122,911
Contributions - United Way	298,859	-	298,859	332,066
In-kind contributions	35,248	-	35,248	22,895
Grants and contracts	578,150	84,758	662,908	470,996
Program service fees	16,378	-	16,378	13,141
Fundraising support	3,472	-	3,472	-
Interest income	79	-	79	236
Other income	87,084	-	87,084	3,409
Gain on extinguishment of debt	120,921	-	120,921	-
Releases from restrictions	155,010	(155,010)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and gains	1,400,917	127,588	1,528,505	965,654
Expenses				
Program services	712,762	-	712,762	580,703
Management and general	139,941	-	139,941	160,789
Fundraising	50,183	-	50,183	83,371
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	902,886	-	902,886	824,863
	<hr/>	<hr/>	<hr/>	<hr/>
Change in Net Assets	498,031	127,588	625,619	140,791
Net assets, beginning of year	633,183	160,508	793,691	652,900
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,131,214</u>	<u>\$ 288,096</u>	<u>\$ 1,419,310</u>	<u>\$ 793,691</u>

See notes to financial statements.



PATHWAYS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021			Total	2020 Total
	Program Services	Management and General	Fundraising		
Client assistance	\$ 1,443	\$ -	\$ -	\$ 1,443	997
Depreciation	49,962	5,551	-	55,513	89,379
Dues and subscriptions	2,887	321	-	3,208	3,273
Insurance	20,788	2,310	-	23,098	26,600
Interest expense	132	33	-	165	531
Marketing and fundraising	-	-	2,576	2,576	4,476
Office and supplies	1,748	499	250	2,497	2,150
Other expenses	8,235	2,059	-	10,294	6,881
Professional services	-	39,508	-	39,508	49,184
Repairs and maintenance	43,410	2,285	-	45,695	35,352
Salaries and related	402,886	82,384	46,241	531,511	415,547
Security	45,098	-	-	45,098	62,648
Supplies and services	84,286	2,201	-	86,487	75,444
Utilities	51,887	2,790	1,116	55,793	52,401
	<u>\$ 712,762</u>	<u>\$ 139,941</u>	<u>\$ 50,183</u>	<u>\$ 902,886</u>	<u>\$ 824,863</u>



PATHWAYS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 625,619	\$ 140,791
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,513	89,379
Gain on debt extinguishment	(120,921)	-
Changes in assets and liabilities that provided (used) cash:		
Grants receivable	(17,316)	5,655
Prepaid expenses	-	4,135
Accounts payable	20,935	(16,989)
Accrued expenses	(9,064)	5,359
	554,766	228,330
Cash Flows from Investing Activities		
Purchase of property and equipment	(108,668)	(28,858)
Proceeds from redemption of certificate of deposit	-	132,170
	(108,668)	103,312
Cash Flows from Financing Activities		
Payment to settle balance due to HUD	(24,117)	-
	(24,117)	-
Net Change in Cash and Cash Equivalents	421,981	331,642
Cash and cash equivalents, beginning of year	479,498	147,856
Cash and cash equivalents, end of year	\$ 901,479	\$ 479,498
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 165	\$ 531



PATHWAYS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Pathways, Inc. (the "Organization") is a nonprofit organization located in Birmingham, Alabama. Founded in 1983, Pathways, Inc. was established to provide shelter, food, and clothing for women and children on an emergency and/or transitional basis, and to provide the supportive services necessary to help families return to permanent housing. These services are provided through the following programs: Day Center, Emergency Shelter, Employment Readiness, and Supportive Housing.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Resources are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories and the types of transaction affecting each category follow:

Net Assets Without Donor Restrictions – are not subject to donor-imposed restrictions. This classification includes all revenues, gains, and losses not restricted by donors. The Organization reports all expenses as decreases in net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. The Organization reports expirations of donor restrictions on net assets as net assets released from restrictions between the applicable net asset classes in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Grants Receivable

Grants receivable represent amounts due under contractual agreements with various federal, state, and local government agencies. Management considers these accounts fully collectible, and has determined no allowance was necessary as of December 31, 2021.



PATHWAYS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes all expenditures for fixed assets greater than \$1,500. Depreciation is based on the straight-line method over the estimated useful lives of the assets acquired, generally as follows:

<u>Description</u>	<u>Useful Life (Years)</u>
Buildings and improvements	10 - 30
Furniture and equipment	5 - 10
Vehicles	5

Property and equipment acquired by the Organization under grant programs are considered to be owned by the Organization. However, funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of those assets.

Impairment of Long-Lived Assets

The Organization recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying values. No such losses were incurred for the period presented.

Revenue Recognition

Revenue from nonreciprocal grants and contributions are recognized upon receipt of an unconditional commitment from the donor. Grant and contributions may also be considered conditional if (a) there is both a measurable barrier that must be overcome before the Organization is entitled to receive the funds and (b) there is a right of return to the resource provider. Revenues from conditional awards are not recognized until such conditions have been satisfied. Amounts received prior to satisfying such conditions are reported as a refundable advance until earned.

Contributed products are recognized at the time of donation and are valued at the estimated purchase price to acquire identical or similar assets in the United States. The Organization's policy is to utilize the assets to carry out its mission. If a donated asset is unable to be used in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Contributed services received are recognized as revenue if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.



PATHWAYS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Classification of Expenses

The Organization's primary service is providing shelter, food and care to homeless persons. Amounts reported as program expenses are in support of this primary activity. Natural expenses attributable to more than one functional expense category are allocated primarily based upon time estimates.

Income Taxes

The Organization is a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization's information returns are subject to examination, generally for three years after the filing date.

Summarized Comparative 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. Accordingly, such information should be read in conjunction with the financial statements as of and for the year ended December 31, 2020, from which the information was derived.

Evaluation of Subsequent Events

The Organization evaluates events occurring subsequent to the statement of financial position date to determine if recognition in the financial statements or disclosure is appropriate. Subsequent events have been evaluated through August 17, 2022, which is the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS AND CREDIT RISKS

The Organization receives a significant portion of its revenue from government grants. Reductions in government funding would negatively impact the Organization.

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. The total uninsured balance was approximately \$651,000 as of December 31, 2021.



PATHWAYS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3. LIQUIDITY AND AVAILABILITY

The Organization's financial assets, reduced by amounts not available for general expenditures within one year due to contractual obligations or donor-imposed restrictions, were as follows as of December 31, 2021:

<u>Financial assets:</u>	
Cash and cash equivalents	\$ 901,479
Grants receivable	<u>152,904</u>
Financial assets, at year end	1,054,383
<u>Less amounts unavailable for general expenditure within one year:</u>	
Donor restrictions for Childcare Program	(165,838)
<u>Liquidity resources:</u>	
Bank line of credit	<u>77,000</u>
Total resources available within one year	<u><u>\$ 965,545</u></u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021:

Land	\$ 155,020
Buildings and improvements	2,132,738
Equipment and furniture	73,227
Vehicles	<u>14,041</u>
	2,375,026
Less: accumulated depreciation	<u>(1,972,370)</u>
Property and equipment, net	<u><u>\$ 402,656</u></u>

NOTE 5. AMOUNT DUE TO HUD

In 2014, the Organization was involved in claims related to disallowed costs under contracts and grants with the Department of Housing and Urban Development (HUD). Management estimated the amount due to HUD and accrued the liability in the amount of \$145,038.

In June 2021, the local HUD office agreed to accept a reduced payment in the amount of \$24,117, resulting in a gain on debt extinguishment in the amount of \$120,921 for the year ended December 31, 2021.



PATHWAYS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6. NET ASSETS

Net assets with donor restrictions consist of the following as of December 31, 2021:

Restricted for future periods	\$ 122,258
Restricted for Childcare Program	<u>165,838</u>
Net assets with donor restrictions	<u>\$ 288,096</u>

Net assets were released from donor restrictions in satisfaction of the following purposes during the year ended December 31, 2021:

Satisfaction of time restrictions	\$ 92,214
Program expenditures	<u>62,796</u>
Releases from restrictions	<u>\$ 155,010</u>

NOTE 7. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions, all of which were utilized in program services, for the year ended December 31, 2021:

Clothing and supplies	<u>\$ 35,248</u>
	<u>\$ 35,248</u>

NOTE 8. LINE OF CREDIT

The Organization has available a \$77,000 revolving line of credit agreement with a local bank. Under the terms of the agreement, the line is secured by certain real estate and interest is charged at a variable rate based on the index, which was 6.25% as of December 31, 2021. No amount was outstanding under this agreement as of December 31, 2021.

NOTE 9. SETTLEMENT GAIN

In June 2021, the Organization received a settlement payment in the amount of \$75,000 for facility damages, which has been included in other income in the statement of activities for the year ended December 31, 2021.

