

**PATHWAY CARING FOR CHILDREN**  
**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORT**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



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**PATHWAY CARING FOR CHILDREN  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pathway Caring For Children  
Canton, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pathway Caring For Children (an Ohio nonprofit corporation), which comprises the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

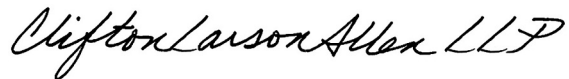
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathway Caring For Children as of June 30, 2020 and 2019, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of Pathway Caring For Children'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 results of that testing, and not to provide an opinion on the effectiveness of Pathway Caring For Children'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 Pathway Caring For Children's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Canton, Ohio  
January 20, 2021

**PATHWAY CARING FOR CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash	\$ 1,050,718	\$ 31,892
Accounts Receivable, Net of Allowance of \$42,601 in 2020 and \$51,438 in 2019	559,949	662,690
Pledges Receivable	13,914	28,618
Prepaid Expenses	55,091	64,738
Total Current Assets	1,679,672	787,938
<b>BENEFICIAL INTEREST IN ASSETS HELD BY STARK COMMUNITY FOUNDATION</b>		
	327,320	331,094
<b>PROPERTY AND EQUIPMENT</b>		
Land	40,000	40,000
Building and Equipment	448,516	448,516
Office Furniture and Equipment	494,608	379,798
Vehicles	71,786	71,786
Leasehold Improvements	69,987	69,987
	1,124,897	1,010,087
Less Accumulated Depreciation	739,305	607,890
Total Property and Equipment	385,592	402,197
<b>OTHER ASSETS</b>		
Deposits	25,163	29,993
Unbilled Revenue	2,314	19,821
Total Other Assets	27,477	49,814
Total Assets	\$ 2,420,061	\$ 1,571,043

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Line of Credit	\$ 166	\$ 78,227
Accounts Payable	180,017	96,613
Accrued Payroll and Related Expenses	193,498	127,608
CARES Act Paycheck Payroll Protection Loan	706,027	-
Third Party Advances	294,360	325,522
Deferred Revenue		
Fundraising	8,000	102,416
Grants	234,283	10,093
Total Liabilities	1,616,351	740,479
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	210,928	413,993
Designated by the Board for Maintenance Fund	86,248	87,256
Designated by the Board for Jim Bridges Memorial Fund	11,153	11,297
Designated by the Board for Children's Fund	87,871	90,493
Total Without Donor Restrictions	396,200	603,039
With Donor Restrictions		
Purpose Restrictions	308,127	85,477
Perpetual in Nature	142,048	142,048
Total With Donor Restrictions	450,175	227,525
Total Net Assets	846,375	830,564
 Total Liabilities and Net Assets	 \$ 2,462,726	 \$ 1,571,043

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
<b>Contracts Recognized Over Time</b>			
Placement Agencies	\$ 11,642	\$ -	\$ 11,642
Mental Health	255,245	-	255,245
Training	92,945	-	92,945
<b>Contributions and Other Revenue Recognized at a Point in Time</b>			
Grants, Contributions and Special Events	787,872	294,877	1,082,749
Placement Agencies	2,191,820	-	2,191,820
Mental Health	1,735,827	-	1,735,827
Bridges	596,135	-	596,135
Other Revenue	86,401	-	86,401
Interest Income	2,053	-	2,053
Unrealized Loss on Beneficial Interest in Assets Held by Stark Community Foundation	(5,861)	-	(5,861)
Total Support and Revenue	5,754,079	294,877	6,048,956
Net Assets Released from Restrictions	72,227	(72,227)	-
Total	5,826,306	222,650	6,048,956
<b>EXPENSES</b>			
Program Services Expense:			
Foster Care Network	2,176,910	-	2,176,910
Family Services Network	116,385	-	116,385
Mental Health	2,287,291	-	2,287,291
Bridges	576,201	-	576,201
Total Program Expenses	5,156,787	-	5,156,787
Supporting Services Expense:			
Administrative	569,791	-	569,791
Community Engagement	306,567	-	306,567
Total Supporting Services Expenses	876,358	-	876,358
Total Expenses	6,033,145	-	6,033,145
<b>CHANGE IN NET ASSETS</b>	(206,839)	222,650	15,811
Net Assets - Beginning of Year	603,039	227,525	830,564
<b>NET ASSETS - END OF YEAR</b>	\$ 396,200	\$ 450,175	\$ 846,375

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
<b>Contracts Recognized Over Time</b>			
Placement Agencies	\$ 12,313	\$ -	\$ 12,313
Mental Health	16,459	-	16,459
Training	95,965	-	95,965
<b>Contributions and Other Revenue Recognized at a Point in Time</b>			
Grants, Contributions and Special Events	700,515	79,780	780,295
Placement Agencies	2,385,370	-	2,385,370
Mental Health	1,623,323	-	1,623,323
Bridges	301,790	-	301,790
Other Revenue	57,613	-	57,613
Interest Income	1,780	-	1,780
Unrealized Gain on Beneficial Interest in Assets Held by Stark Community Foundation	1,544	-	1,544
Total Support and Revenue	5,196,672	79,780	5,276,452
Net Assets Released from Restrictions:	98,689	(98,689)	-
Total	5,295,361	(18,909)	5,276,452
<b>EXPENSES</b>			
Program Services Expense:			
Foster Care Network	2,389,192	-	2,389,192
Family Services Network	82,766	-	82,766
Mental Health	1,808,030	-	1,808,030
Bridges	226,958	-	226,958
Total Program Expenses	4,506,946	-	4,506,946
Supporting Services Expense:			
Administrative	660,901	-	660,901
Development	202,419	-	202,419
Total Supporting Services Expenses	863,320	-	863,320
Total Expenses	5,370,266	-	5,370,266
<b>CHANGE IN NET ASSETS</b>	(74,905)	(18,909)	(93,814)
Net Assets - Beginning of Year	677,944	246,434	924,378
<b>NET ASSETS - END OF YEAR</b>	\$ 603,039	\$ 227,525	\$ 830,564

See accompanying Notes to Financial Statements.



**PATHWAY CARING FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services				Total Program Services
	Foster Care Network	Family Services Network	Mental Health	Bridges	
Salaries	\$ 658,990	\$ 44,882	\$ 1,263,613	\$ 130,822	\$ 2,098,307
Payroll Taxes and Workers' Compensation	58,073	3,915	112,749	11,002	185,739
Fringe Benefits	120,980	7,421	228,802	19,168	376,371
Total Personnel	838,043	56,218	1,605,164	160,992	2,660,417
Advertising and Marketing	18,713	125	3,490	369	22,697
Building Expenses	4,032	101	9,874	775	14,782
Camp Fees	3,370	-	15,900	-	19,270
Contract Services	3,960	-	31,429	-	35,389
Dues and Subscriptions	2,491	102	4,345	301	7,239
Equipment and Leasing	27,571	424	39,156	3,384	70,535
Food - Hospitality	6,583	1,722	2,715	289	11,309
Foster Caregiver Expense	964,205	6,633	60	-	970,898
Insurance	17,611	1,030	38,858	3,061	60,560
Office Supplies and Postage	5,595	682	8,372	1,195	15,844
Professional Services	20,986	3,637	53,799	2,751	81,173
Program Related Activity Time	2,314	-	-	-	2,314
Program Supplies	87	24	5,136	-	5,247
Rent	89,191	4,675	121,995	12,464	228,325
Staff Recruitment	56	3	116	9	184
Training	39,133	-	-	-	39,133
Travel and Transportation	46,287	15,082	44,591	12,325	118,285
Utilities	21,890	1,245	39,389	4,769	67,293
Youth Needs	23,937	101	9,605	366,305	399,948
Bank Fees	1,923	112	4,131	2,053	8,219
Interest	445	26	962	77	1,510
Bad Debt	-	22,550	21,036	-	43,586
Miscellaneous	3,274	551	156,035	353	160,213
Total Expenses Before Depreciation	2,141,697	115,043	2,216,158	571,472	5,044,370
Depreciation	35,213	1,342	71,133	4,729	112,417
Total Expenses	<u>\$ 2,176,910</u>	<u>\$ 116,385</u>	<u>\$ 2,287,291</u>	<u>\$ 576,201</u>	<u>\$ 5,156,787</u>

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	Supporting Services		Total Supporting Services	2020 Total
	Administrative	Community Engagement		
Salaries	\$ 360,012	\$ 180,154	\$ 540,166	\$ 2,638,473
Payroll Taxes and Workers' Compensation	30,613	15,526	46,139	231,878
Fringe Benefits	51,121	26,518	77,639	454,010
Total Personnel	441,746	222,198	663,944	3,324,361
Advertising and Marketing	1,747	9,600	11,347	34,044
Building Expenses	1,163	1,370	2,533	17,315
Camp Fees	-	-	-	19,270
Contract Services	-	-	-	35,389
Dues and Subscriptions	2,340	1,868	4,208	11,447
Equipment and Leasing	20,799	1,613	22,412	92,947
Food - Hospitality	1,027	1,393	2,420	13,729
Foster Caregiver Expense	-	-	-	970,898
Insurance	8,331	3,858	12,189	72,749
Office Supplies and Postage	1,713	6,321	8,034	23,878
Professional Services	18,182	3,157	21,339	102,512
Program Related Activity Time	-	-	-	2,314
Program Supplies	-	-	-	5,247
Rent	38,332	20,437	58,769	287,094
Staff Recruitment	26	12	38	222
Training	-	-	-	39,133
Travel and Transportation	5,831	9,347	15,178	133,463
Utilities	8,055	4,643	12,698	79,991
Youth Needs	10	3	13	399,961
Bank Fees	5,411	9,099	14,510	22,729
Interest	215	98	313	1,823
Bad Debt	-	4,498	4,498	48,084
Miscellaneous	1,906	1,011	2,917	163,130
Total Expense Before Depreciation	556,834	300,526	857,360	5,901,730
Depreciation	12,957	6,041	18,998	131,415
Total Expenses	\$ 569,791	\$ 306,567	\$ 876,358	\$ 6,033,145

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Program Services				Total Program Services
	Foster Care Network	Family Services Network	Mental Health	Bridges	
Salaries	\$ 755,219	\$ 29,085	\$ 1,099,448	\$ 35,718	\$ 1,919,470
Payroll Taxes and Workers' Compensation	61,674	2,492	88,330	2,758	155,254
Fringe Benefits	93,272	3,459	120,927	3,656	221,314
Total Personnel	910,165	35,036	1,308,705	42,132	2,296,038
Advertising and Marketing	27,140	171	3,022	31	30,364
Building Expenses	11,084	211	12,743	91	24,129
Camp Fees	2,850	-	-	-	2,850
Contract Services	8,275	-	5,949	-	14,224
Dues and Subscriptions	2,822	98	3,420	100	6,440
Equipment and Leasing	34,761	591	37,253	211	72,816
Food - Hospitality	4,293	2,339	1,737	33	8,402
Foster Caregiver Expense	1,047,756	7,773	-	-	1,055,529
Insurance	19,420	777	28,425	852	49,474
Office Supplies and Postage	5,645	1,079	7,129	160	14,013
Professional Services	19,810	1,185	31,948	614	53,557
Program Related Activity Time	2,578	211	9,384	-	12,173
Program Supplies	627	193	14,289	-	15,109
Rent	97,393	3,805	106,727	3,889	211,814
Staff Recruitment	384	15	543	17	959
Training	40,838	-	632	-	41,470
Travel and Transportation	64,820	10,263	40,129	4,868	120,080
Utilities	27,253	1,018	36,249	892	65,412
Youth Needs	16,505	540	15,795	171,560	204,400
Bank Fees	2,034	81	2,872	89	5,076
Interest	1,250	51	1,765	55	3,121
Bad Debt	-	15,300	18,300	-	33,600
Miscellaneous	5,802	809	61,375	27	68,013
Total Expenses Before Depreciation	2,353,505	81,546	1,748,391	225,621	4,409,063
Depreciation	35,687	1,220	59,639	1,337	97,883
Total Expenses	<u>\$ 2,389,192</u>	<u>\$ 82,766</u>	<u>\$ 1,808,030</u>	<u>\$ 226,958</u>	<u>\$ 4,506,946</u>

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Supporting Services		Total	
	Administrative	Community Engagement	Supporting Services	Total
Salaries	\$ 428,253	\$ 103,144	\$ 531,397	\$ 2,450,867
Payroll Taxes and Workers' Compensation	34,977	8,817	43,794	199,048
Fringe Benefits	40,954	20,048	61,002	282,316
Total Personnel	504,184	132,009	636,193	2,932,231
Advertising and Marketing	1,452	6,632	8,084	38,448
Building Expenses	4,188	857	5,045	29,174
Camp Fees	-	-	-	2,850
Contract Services	-	-	-	14,224
Dues and Subscriptions	2,238	1,514	3,752	10,192
Equipment and Leasing	14,996	6,762	21,758	94,574
Food - Hospitality	2,191	1,419	3,610	12,012
Foster Caregiver Expense	-	-	-	1,055,529
Insurance	10,737	2,790	13,527	63,001
Office Supplies and Postage	2,798	2,184	4,982	18,995
Professional Services	17,407	2,717	20,124	73,681
Program Related Activity Time	-	-	-	12,173
Program Supplies	-	-	-	15,109
Rent	51,499	19,255	70,754	282,568
Staff Recruitment	666	80	746	1,705
Training	-	-	-	41,470
Travel and Transportation	8,962	4,822	13,784	133,864
Utilities	11,674	4,501	16,175	81,587
Youth Needs	274	182	456	204,856
Bank Fees	6,039	2,015	8,054	13,130
Interest	1,191	260	1,451	4,572
Bad Debt	-	6,100	6,100	39,700
Miscellaneous	5,143	1,993	7,136	75,149
Total Expenses Before Depreciation	645,639	196,092	841,731	5,250,794
Depreciation	15,262	6,327	21,589	119,472
Total Expenses	\$ 660,901	\$ 202,419	\$ 863,320	\$ 5,370,266

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 15,811	\$ (93,814)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	131,415	119,472
Change in Beneficial Interest in Asset Held	3,774	(3,253)
Provision for Bad Debt (Net of Recoveries)	48,084	39,700
(Increase) Decrease in Assets:		
Accounts Receivable, Net	54,657	(276,139)
Pledges Receivable	14,704	20,109
Prepaid Expenses	9,647	(8,049)
Deposits	4,830	(3,755)
Unbilled Revenue	17,507	(15,932)
Increase (Decrease) in Liabilities:		
Accounts Payable	52,574	30,472
Accrued Payroll and Related Expenses	65,890	8,675
Third Party Advances	(31,162)	325,522
Deferred Revenue	129,774	(64,314)
Net Cash Provided by Operating Activities	517,505	78,694
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(83,980)	(14,786)
Net Cash Used by Investing Activities	(83,980)	(14,786)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Line of Credit	(78,061)	(71,703)
CARES Act Payroll Protection Program Loan Proceeds	706,027	-
Net Cash Provided (Used) by Financing Activities	627,966	(71,703)
<b>NET CHANGE IN CASH</b>	1,061,491	(7,795)
Cash - Beginning of Year	31,892	39,687
<b>CASH - END OF YEAR</b>	\$ 1,093,383	\$ 31,892
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of Property and Equipment	\$ (30,830)	\$ -
Accounts Payable	30,830	-
	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 1,823	\$ 4,572

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Pathway Caring For Children (the Organization) is a nonprofit organization devoted to providing help to children and families through innovative foster care, adoption, and mental health services.

The financial statements of the Organization reflect the application of certain accounting policies described in this note.

**Basis of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Net Assets**

Under the *Financial Statements of Not-For-Profit Organizations* Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets described as follows:

*Net Assets Without Donor Restrictions* – Net assets which are not subject to donor-imposed restrictions. Use of net assets without donor restriction may be board-designated for specific purposes.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization or passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions amounted to \$450,175 and \$227,525 at June 30, 2020 and 2019, respectively, and consist of the Organization's funds held for specific purposes and those that are perpetual in nature.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Donor-imposed restrictions are released when a restriction expires; that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Use of Estimates**

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

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interest in Assets Held by Stark Community Foundation**

The Organization carries a beneficial interest in assets held by Stark Community Foundation (SCF) at fair market value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**Income Taxes**

The Organization is a nonprofit organization, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements.

**Concentrations of Credit Risk**

The Organization maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk. Management believes it is not exposed to any significant credit risk on cash.

**Allowance for Doubtful Accounts**

The Organization provides for an allowance for uncollectible accounts equal to the estimated uncollectible portion of accounts receivable. Management's estimates are based on historical experience and on its evaluation of the current status of amounts receivable. At June 30, 2020 and 2019, the allowance for doubtful accounts was \$42,601 and \$51,438, respectively.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial statement purposes principally on the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years. Depreciation expense amounts to \$131,415 and \$119,472 in 2020 and 2019, respectively.

Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Advertising**

The Organization participates in various advertising and marketing programs. All costs related to marketing and advertising the Organization's services are expensed in the period incurred. Advertising costs charged to operations were \$34,044 and \$38,448 in 2020 and 2019, respectively.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pledges Receivable**

The Organization recognizes contributions as revenue in the period in which the pledge is received. The Organization considers all contributions to be for general operations unless specifically restricted by the donor. At June 30, 2020 and 2019, all pledges receivable were classified as current.

**Functional Expenses**

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on the best estimates of management. Allocations are determined based on estimates of time and effort required for each program.

**Adoption of New Accounting Standards**

In 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Our financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

**Revenue Recognition**

The Organization recognizes revenue from ticket sales at the time of admission. Sponsorships are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total sponsorship paid and the exchange element. The Organization recognizes the exchange portion of sponsorships at the time of the event and the contribution portion immediately. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.



**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contract revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the clients and third-party payors several days after the services are performed and/or the client is discharged from the program. Revenue is recognized as performance obligations are satisfied.

A portion of the Organization's revenue is derived from grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue over time when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization measures the performance obligation from admission into the program to the point when it is no longer required to provide services to that client.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the clients are discharged from a program or facility, which generally occurs within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured clients in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured clients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of clients.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured clients, and offers those uninsured clients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for clients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to Government and contract Organization fee revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to clients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured clients and clients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to clients and the amounts the Organization expects to collect based on its collection history with those clients.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, client) have different reimbursement/payment methodologies
- Length of the client's service/episode of care
- Geography of the service location
- Method of reimbursement
- Program that the service relates to

**Reclassifications**

Certain amounts appearing in the 2019 financial statements have been reclassified to conform with the 2020 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risks and Uncertainty**

During the year, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on the global market, supply chains, business, and communities. Specific to the Organization, COVID-19 impacted various parts of its operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages in personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

**Subsequent Events**

Management has evaluated subsequent events through January 20, 2021, which is the date the financial statements were available to be issued.

**NOTE 2 FAIR VALUE MEASUREMENT**

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* – Significant unobservable inputs.

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Organization's beneficial interest in assets held by Stark Community Foundation is measured at fair value using the Level 2 category and amounted to \$327,320 and \$331,094 for the years ended June 30, 2020 and 2019, respectively.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 BENEFICIAL INTEREST IN ASSETS HELD BY STARK COMMUNITY FOUNDATION**

The Organization has an investment with the Stark Community Foundation. (SCF). All contributions are held, invested, and managed by SCF. At June 30, 2020 and 2019 the Organization had three funds with SCF, as follows:

*Maintenance Fund* – Established for the purpose of funding maintenance, repairs, renovations, and additions to real property through use of the income generated from the fund.

*Jim Bridges Memorial Fund* – Established by the board to allow donations received in Jim’s memory to be set aside for the Organization’s benefit.

*Children’s Fund* – Established in with allocated perpetually restricted net assets along with some board-designated funds for the purpose of funding any expense deemed appropriate by the Organization.

	2020	2019
Maintenance Fund	\$ 86,248	\$ 87,256
Jim Bridges Memorial Fund	11,153	11,297
Children’s Fund	229,919	232,541
Total	\$ 327,320	\$ 331,094

The income and appreciation are expendable to support the Organization’s activities. The amount of income and appreciation expended by the Organization is subject to an annual review and approval by Organization leadership. The investments are in a pool of funds held by several financial institutions and are managed by SCF. The Organization does not control the investment of these funds.

In the event of any unforeseen contingency of a clear emergency nature, by reason of which expenditure of the principal of the fund is necessary to preserve the essential purpose of the Organization, the Organization may request, through its board of trustees, a distribution of principal. Any such request from the Organization requires the approval of at least a two-thirds majority of the Organization’s board of trustees. Any distribution of principal by SCF pursuant to such request must be approved by at least two-thirds of the members of the board of trustees of SCF, which approval shall not be unreasonably withheld.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 BENEFICIAL INTEREST IN ASSETS HELD BY STARK COMMUNITY FOUNDATION  
(CONTINUED)**

SCF has been granted variance power in the event that the Organization ceases to exist and does not designate a substitute recipient that SCF finds acceptable.

The composition of the Organization's Fund by net asset class for the years ended June 30, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	\$ -	\$ 142,048	\$ 142,048
Board Designated Funds	185,272	-	185,272
Total	\$ 185,272	\$ 142,048	\$ 327,320
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	\$ -	\$ 142,048	\$ 142,048
Board Designated Funds	189,046	-	189,046
Total	\$ 189,046	\$ 142,048	\$ 331,094

**NOTE 4 LINE OF CREDIT**

The Organization has available a \$370,000 line of credit with a bank. The outstanding balance amounted to \$166 and \$78,227 as of June 30, 2020 and 2019, respectively. All borrowings bear interest at prime + 0.25% (5.75% at June 30, 2020) and are secured by all the Organization's assets.

**NOTE 5 CARES ACT PAYROLL PROTECTION PROGRAM**

On May 1, 2020, the Organization received a loan from The Huntington National Bank in the amount of \$706,027 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program Flexibility Act of 2020 (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months with the initial payment deferred six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 5 CARES ACT PAYCHECK PROTECTION PROGRAM (CONTINUED)**

Payment of principal and interest is deferred until the date on which the amount of forgiveness is determined by the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, with principal and interest payments required through the maturity date in September 1, 2022.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The Organization leases office space and copiers under operating leases expiring in fiscal years through 2024.

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 275,410
2022	57,317
2023	19,944
2024	9,094
2025	-
Total	<u>\$ 361,765</u>

Rent expense for leased facilities and equipment was \$287,094 and \$282,568 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 7 RETIREMENT PLAN**

The Organization has a salary deferral plan under Section 403(b) of the Internal Revenue Code. The plan allows eligible employees to defer a portion of their compensation. All employees are eligible to participate in the deferral. The Organization matches fifty cents (\$.50) to the dollar (\$1.00) up to a maximum of three percent (3%) of pay that the employee invests. Retirement costs under this plan for the years ended June 30, 2020 and 2019 were \$20,946 and \$18,781, respectively.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Purpose restricted net assets are available for the following purposes for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Auction	\$ -	\$ 10,968
Scholarships	4,207	4,651
Foster Care and Family Services	295,302	59,417
Mental Health	1,305	500
Education	7,313	9,941
Total	<u>\$ 308,127</u>	<u>\$ 85,477</u>

Net assets were released from donor restrictions as expenses were incurred satisfying the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Auction	\$ 10,967	\$ 17,636
Scholarships	1,222	1,077
Foster Care and Family Services	57,214	61,215
Mental Health	195	10,500
Education	2,629	8,261
Total	<u>\$ 72,227</u>	<u>\$ 98,689</u>

Perpetually restricted net assets consist of investments to be held indefinitely. The investments are held in a component trust of a pooled income funds managed by the Stark Community Foundation. The restricted portion of this trust fund was \$142,048 at June 30, 2020 and 2019.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 LIQUIDITY**

The following reflects the Organization's financial assets as of June 30, 2020 and 2019 reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,050,718	\$ 31,892
Accounts Receivable, Net	559,949	662,690
Pledges Receivable	<u>13,914</u>	<u>28,618</u>
Total	1,624,581	723,200
Less: Those Unavailable for General Expenditures Within One Year included in amounts above:		
Net Assets With Donor Restriction:		
Subject to Purpose Restriction	<u>308,127</u>	<u>85,477</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 1,316,454</u></u>	<u><u>\$ 637,723</u></u>

The Organization strives to maintain liquid financial assets sufficient to cover 12 months of general expenditures. Management could also draw upon the line of credit or board restricted investments in the event of an unanticipated liquidity need.





**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  
Pathway Caring For Children  
Canton, Ohio

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 Pathway Caring For Children, 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 January 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pathway Caring For Children'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 Pathway Caring For Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Pathway Caring For Children'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 Pathway Caring For Children'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 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 results 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.



**CliftonLarsonAllen LLP**

Canton, Ohio  
January 20, 2021

