

**PATHWAY CARING FOR CHILDREN**  
**FINANCIAL STATEMENTS AND  
COMPLIANCE REPORT**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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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, 2021 and 2020, 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, 2021 and 2020, 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 October 19, 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  
October 19, 2021

**PATHWAY CARING FOR CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,142,545	\$ 1,050,718
Accounts Receivable, Net	559,311	559,949
Pledges Receivable	3,700	13,914
Prepaid Expenses	153,817	55,091
Total Current Assets	1,859,373	1,679,672
<b>BENEFICIAL INTEREST IN ASSETS HELD BY</b>		
Stark Community Foundation	305,558	327,320
The Cleveland Foundation	109,890	-
Total Beneficial Interest in Assets	415,448	327,320
<b>PROPERTY AND EQUIPMENT</b>		
Land	40,000	40,000
Building and Equipment	448,516	448,516
Office Furniture and Equipment	506,175	494,608
Vehicles	101,768	71,786
Leasehold Improvements	69,987	69,987
	1,166,446	1,124,897
Less Accumulated Depreciation	810,070	739,305
Total Property and Equipment	356,376	385,592
<b>OTHER ASSETS</b>		
Deposits	24,663	25,163
Unbilled Revenue	-	2,314
Total Other Assets	24,663	27,477
Total Assets	\$ 2,655,860	\$ 2,420,061

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Line of Credit	\$ -	\$ 166
Accounts Payable	73,082	180,017
Accrued Payroll and Related Expenses	293,449	193,498
CARES Act Paycheck Protection Loan	-	706,027
Third Party Advances	152,815	294,360
Deferred Revenue		
Fundraising	40,654	8,000
Grants	104,313	234,283
	664,313	1,616,351
 <b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	1,431,833	168,263
Designated by the Board for Maintenance Fund	111,296	86,248
Designated by the Board for Jim Bridges Memorial Fund	14,377	11,153
Designated by the Board for Children's Fund	147,727	87,871
Total Without Donor Restrictions	1,705,233	353,535
With Donor Restrictions		
Purpose Restrictions	144,266	308,127
Perpetual in Nature	142,048	142,048
Total With Donor Restrictions	286,314	450,175
Total Net Assets	1,991,547	803,710
 Total Liabilities and Net Assets	 \$ 2,655,860	 \$ 2,420,061

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
<b>CONTRACTS RECOGNIZED OVER TIME</b>			
Placement Agencies	\$ 7,994	\$ -	\$ 7,994
Mental Health	268,462	-	268,462
Training	93,640	-	93,640
<b>CONTRIBUTIONS AND OTHER REVENUE RECOGNIZED AT A POINT IN TIME</b>			
Grants, Contributions and Special Events	1,859,459	59,142	1,918,601
Placement Agencies	2,407,145	-	2,407,145
Mental Health	1,801,355	-	1,801,355
Bridges	818,001	-	818,001
Other Revenue	173,414	-	173,414
Interest Income	1,735	-	1,735
Unrealized Gain on Beneficial Interest in Assets Held by Community Foundations	86,489	-	86,489
Total Support and Revenue	<u>7,517,694</u>	<u>59,142</u>	<u>7,576,836</u>
Net Assets Released from Restrictions	223,003	(223,003)	-
Total	<u>7,740,697</u>	<u>(163,861)</u>	<u>7,576,836</u>
<b>EXPENSES</b>			
Program Services Expense:			
Foster Care Network	2,491,326	-	2,491,326
Family Services Network	46,694	-	46,694
Mental Health	2,004,524	-	2,004,524
Bridges	835,904	-	835,904
Total Program Expenses	<u>5,378,448</u>	<u>-</u>	<u>5,378,448</u>
Supporting Services Expense:			
Administrative	693,298	-	693,298
Community Engagement	317,253	-	317,253
Total Supporting Services Expenses	<u>1,010,551</u>	<u>-</u>	<u>1,010,551</u>
Total Expenses	<u>6,388,999</u>	<u>-</u>	<u>6,388,999</u>
<b>CHANGE IN NET ASSETS</b>	1,351,698	(163,861)	1,187,837
Net Assets - Beginning of Year	<u>353,535</u>	<u>450,175</u>	<u>803,710</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,705,233</u>	<u>\$ 286,314</u>	<u>\$ 1,991,547</u>

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 Community Foundations	(5,861)	-	(5,861)
Total Support and Revenue	<u>5,754,079</u>	<u>294,877</u>	<u>6,048,956</u>
Net Assets Released from Restrictions	72,227	(72,227)	-
Total	<u>5,826,306</u>	<u>222,650</u>	<u>6,048,956</u>
<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	618,866	-	618,866
Total Program Expenses	<u>5,199,452</u>	<u>-</u>	<u>5,199,452</u>
Supporting Services Expense:			
Administrative	569,791	-	569,791
Development	306,567	-	306,567
Total Supporting Services Expenses	<u>876,358</u>	<u>-</u>	<u>876,358</u>
Total Expenses	<u>6,075,810</u>	<u>-</u>	<u>6,075,810</u>
<b>CHANGE IN NET ASSETS</b>	(249,504)	222,650	(26,854)
Net Assets - Beginning of Year	<u>603,039</u>	<u>227,525</u>	<u>830,564</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 353,535</u>	<u>\$ 450,175</u>	<u>\$ 803,710</u>

See accompanying Notes to Financial Statements.



**PATHWAY CARING FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	Program Services				Total Program Services
	Foster Care Network	Family Services Network	Mental Health	Bridges	
Salaries	\$ 742,652	\$ 4,242	\$ 1,191,559	\$ 164,139	\$ 2,102,592
Payroll Taxes and Workers' Compensation	66,368	1,544	105,650	15,207	188,769
Fringe Benefits	103,364	10,167	156,847	26,205	296,583
Total Personnel	<u>912,384</u>	<u>15,953</u>	<u>1,454,056</u>	<u>205,551</u>	<u>2,587,944</u>
Promotional Expenses	12,144	112	7,689	227	20,172
Building Expenses	5,777	46	3,898	4,053	13,774
Contract Services	5,743	-	-	-	5,743
Dues and Subscriptions	4,052	132	4,334	504	9,022
Equipment and Leasing	34,162	836	45,746	6,841	87,585
Food - Hospitality	2,471	99	1,518	151	4,239
Foster Caregiver Expense	1,061,903	3,570	-	-	1,065,473
Insurance	50,543	415	55,527	9,522	116,007
Office Supplies and Postage	6,882	187	5,693	533	13,295
Professional Services	32,959	5,248	67,281	7,248	112,736
Program Related Activity Time	2,881	-	380	-	3,261
Program Supplies	90	363	7,196	-	7,649
Rent	116,231	2,406	96,475	-	215,112
Staff Recruitment	1,074	51	1,299	155	2,579
Training	50,808	-	-	-	50,808
Travel and Transportation	46,194	-	19,921	7,256	73,371
Utilities	24,890	463	32,155	7,437	64,945
Youth Needs	11,102	614	18,244	569,358	599,318
Bank Fees	1,082	97	1,894	3,612	6,685
Bad Debt	-	15,000	138,088	-	153,088
Miscellaneous	79,558	247	25,436	573	105,814
Total Expenses Before Depreciation	<u>2,462,930</u>	<u>45,839</u>	<u>1,986,830</u>	<u>823,021</u>	<u>5,318,620</u>
Depreciation	<u>28,396</u>	<u>855</u>	<u>17,694</u>	<u>12,883</u>	<u>59,828</u>
Total Expenses	<u><u>\$ 2,491,326</u></u>	<u><u>\$ 46,694</u></u>	<u><u>\$ 2,004,524</u></u>	<u><u>\$ 835,904</u></u>	<u><u>\$ 5,378,448</u></u>

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

	Supporting Services		Total Supporting Services	2021 Total
	Administrative	Community Engagement		
Salaries	\$ 395,590	\$ 183,986	\$ 579,576	\$ 2,682,168
Payroll Taxes and Workers' Compensation	35,311	16,303	51,614	240,383
Fringe Benefits	56,408	22,784	79,192	375,775
Total Personnel	<u>487,309</u>	<u>223,073</u>	<u>710,382</u>	<u>3,298,326</u>
Promotional Expenses	1,029	15,795	16,824	36,996
Building Expenses	3,885	1,480	5,365	19,139
Contract Services	8,384	-	8,384	14,127
Dues and Subscriptions	2,473	3,978	6,451	15,473
Equipment and Leasing	20,885	8,709	29,594	117,179
Food - Hospitality	1,103	2,344	3,447	7,686
Foster Caregiver Expense	-	-	-	1,065,473
Insurance	19,328	7,394	26,722	142,729
Office Supplies and Postage	4,195	3,840	8,035	21,330
Professional Services	57,048	5,581	62,629	175,365
Program Related Activity Time	-	-	-	3,261
Program Supplies	-	-	-	7,649
Rent	55,856	24,288	80,144	295,256
Staff Recruitment	356	396	752	3,331
Training	-	-	-	50,808
Travel and Transportation	4,463	3,251	7,714	81,085
Utilities	12,642	4,977	17,619	82,564
Youth Needs	131	118	249	599,567
Bank Fees	6,197	1,478	7,675	14,360
Bad Debt	-	2,700	2,700	155,788
Miscellaneous	2,538	2,390	4,928	110,742
Total Expense Before Depreciation	<u>687,822</u>	<u>311,792</u>	<u>999,614</u>	<u>6,318,234</u>
Depreciation	<u>5,476</u>	<u>5,461</u>	<u>10,937</u>	<u>70,765</u>
Total Expenses	<u>\$ 693,298</u>	<u>\$ 317,253</u>	<u>\$ 1,010,551</u>	<u>\$ 6,388,999</u>

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	<u>838,043</u>	<u>56,218</u>	<u>1,605,164</u>	<u>160,992</u>	<u>2,660,417</u>
Promotional Expenses	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	66,602	101	9,605	366,305	442,613
Bank Fees	1,923	112	4,131	2,053	8,219
Interest	445	26	962	77	1,510
Bad Debt	-	22,550	173,869	-	196,419
Miscellaneous	3,274	551	3,202	353	7,380
Total Expenses Before Depreciation	<u>2,184,362</u>	<u>115,043</u>	<u>2,216,158</u>	<u>571,472</u>	<u>5,087,035</u>
Depreciation	<u>35,213</u>	<u>1,342</u>	<u>71,133</u>	<u>4,729</u>	<u>112,417</u>
Total Expenses	<u>\$ 2,219,575</u>	<u>\$ 116,385</u>	<u>\$ 2,287,291</u>	<u>\$ 576,201</u>	<u>\$ 5,199,452</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	<u>441,746</u>	<u>222,198</u>	<u>663,944</u>	<u>3,324,361</u>
Promotional Expenses	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	442,626
Bank Fees	5,411	9,099	14,510	22,729
Interest	215	98	313	1,823
Bad Debt	-	4,498	4,498	200,917
Miscellaneous	1,906	1,011	2,917	10,297
Total Expenses Before Depreciation	<u>556,834</u>	<u>300,526</u>	<u>857,360</u>	<u>5,944,395</u>
Depreciation	<u>12,957</u>	<u>6,041</u>	<u>18,998</u>	<u>131,415</u>
Total Expenses	<u>\$ 569,791</u>	<u>\$ 306,567</u>	<u>\$ 876,358</u>	<u>\$ 6,075,810</u>

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,187,837	\$ (26,854)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	70,765	131,415
Change in Beneficial Interest in Assets Held by Community Foundations	(88,128)	3,774
CARES Act Paycheck Protection Program Loan Forgiveness	(706,027)	-
(Increase) Decrease in Assets:		
Accounts Receivable, Net	638	102,741
Pledges Receivable	10,214	14,704
Prepaid Expenses	(98,726)	9,647
Deposits	500	4,830
Unbilled Revenue	2,314	17,507
Increase (Decrease) in Liabilities:		
Accounts Payable	(106,935)	52,574
Accrued Payroll and Related Expenses	99,951	65,890
Third Party Advances	(141,545)	(31,162)
Deferred Revenue	(97,316)	129,774
Net Cash Provided by Operating Activities	133,542	474,840
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(41,549)	(83,980)
Net Cash Used by Investing Activities	(41,549)	(83,980)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Line of Credit	(166)	(78,061)
CARES Act Paycheck Protection Program Loan Proceeds	-	706,027
Net Cash Provided (Used) by Financing Activities	(166)	627,966
<b>NET CHANGE IN CASH</b>	91,827	1,018,826
Cash - Beginning of Year	1,050,718	31,892
<b>CASH - END OF YEAR</b>	\$ 1,142,545	\$ 1,050,718
<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

See accompanying Notes to Financial Statements.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 (U.S. 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 \$286,314 and \$450,175 at June 30, 2021 and 2020, 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, 2021 AND 2020**

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

**Beneficial Interest in Assets Held by Community Foundations**

The Organization carries a beneficial interest in assets held by Stark Community Foundation (SCF) and The Cleveland Foundation (TCF) 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, 2021 and 2020, the allowance for doubtful accounts was \$36,852 and \$42,601, 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 \$70,765 and \$131,415 in 2021 and 2020, 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 \$36,996 and \$34,044 in 2021 and 2020, respectively.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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, 2021 and 2020, 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.

**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.

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.



**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Revenue Recognition (Continued)**

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.

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, 2021 and 2020. 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.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Revenue Recognition (Continued)**

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

**Emergency Grant Revenue**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total PRF grant funds approved and received by the Organization approximated \$91,471 at June 30, 2021. The Organization recognized these funds within Grants, Contributions, and Special Events Revenue in the statement of activities. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit.

**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, 2021.

**Subsequent Events**

Management has evaluated subsequent events through October 19, 2021, which is the date the financial statements were available to be issued.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 FAIR VALUE MEASUREMENT**

U.S. 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 and The Cleveland Foundation are measured at fair value using the Level 2 category and amounted to \$415,448 and \$327,320 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 3 BENEFICIAL INTEREST IN ASSETS HELD COMMUNITY FOUNDATIONS**

The Organization has investments with the Stark Community Foundation (SCF) and The Cleveland Foundation (TCF). All contributions are held, invested, and managed by SCF and TCF. At June 30, 2021 and 2020 the Organization had three funds with SCF and one fund with TCF, 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.

*TCF Growth Pool* – Established by the board for the purpose of funding any general needs as deemed appropriate by the agency through income generated by the fund.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

	2021	2020
Maintenance Fund	\$ 111,296	\$ 86,248
Jim Bridges Memorial Fund	14,377	11,153
Children's Fund	179,885	229,919
TCF Growth Pool	109,890	-
Total	<u>\$ 415,448</u>	<u>\$ 327,320</u>

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 and TCF. 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 and TCF pursuant to such request must be approved by at least two-thirds of the members of the board of trustees of SCF and TCF, which approval shall not be unreasonably withheld.

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

The composition of the Organization's Fund by net asset class for the years ended June 30, 2021 and 2020 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	\$ -	\$ 142,048	\$ 142,048
Board-Designated Funds	273,400	-	273,400
Total	<u>\$ 273,400</u>	<u>\$ 142,048</u>	<u>\$ 415,448</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	\$ -	\$ 142,048	\$ 142,048
Board-Designated Funds	185,272	-	185,272
Total	<u>\$ 185,272</u>	<u>\$ 142,048</u>	<u>\$ 327,320</u>

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4 LINE OF CREDIT**

The Organization has available a \$370,000 line of credit with a bank. The outstanding balance amounted to \$166 as of June 30, 2020. The outstanding balance was entirely paid off as of June 30, 2021 and no draws were made on the line during 2021. All borrowings bear interest at prime + 0.25% (3.25% at June 30, 2021) and are secured by all the Organization's assets.

**NOTE 5 CARES ACT PAYCHECK PROTECTION PROGRAM LOAN**

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 (the PPP Loan). The Organization recognized \$706,027 of contribution income related to this agreement during the year ended June 30, 2021, which represents the portion of the PPP loan funds for which the performance barriers have been met. On April 13, 2021, the SBA formally approved forgiveness in the full amount of the Organization's obligation under the PPP loan.

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The Organization leases office space and copiers under operating leases expiring in fiscal years through 2027.

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 252,061
2023	49,090
2024	41,340
2025	39,996
2026	39,996
Thereafter	16,665
Total	<u>\$ 439,148</u>

Rent expense for leased facilities and equipment was \$295,256 and \$287,094 for the years ended June 30, 2021 and 2020, respectively.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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, 2021 and 2020 were \$18,603 and \$20,946, respectively.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2021	2020
Scholarships	\$ -	\$ 4,207
Foster Care and Family Services	144,266	295,302
Mental Health	-	1,305
Education	-	7,313
Total	\$ 144,266	\$ 308,127

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:

	2021	2020
Auction	\$ -	\$ 10,967
Scholarships	4,207	1,222
Foster Care and Family Services	210,178	57,214
Mental Health	1,305	195
Education	7,313	2,629
Total	\$ 223,003	\$ 72,227

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, 2021 and 2020.

**PATHWAY CARING FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 9 LIQUIDITY**

The following reflects the Organization's financial assets as of June 30, 2021 and 2020 reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	2021	2020
Cash	\$ 1,142,545	\$ 1,050,718
Accounts Receivable, Net	559,311	559,949
Pledges Receivable	3,700	13,914
Total	1,705,556	1,624,581
Less: Those Unavailable for General Expenditures Within One Year included in amounts above:		
Net Assets With Donor Restriction:		
Subject to Purpose Restriction	144,266	308,127
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,561,290	\$ 1,316,454

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, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal 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  
October 19, 2021

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