PATHWAY CARING FOR CHILDREN

FINANCIAL STATEMENTS
AND COMPLIANCE REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pathway Caring for Children
Canton, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pathway Caring for Children (a nonprofit organization) which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pathway Caring for Children and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Pathway Caring for Children's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pathway Caring for Children's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathway Caring for Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Pathway Caring for Children

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024 on our consideration of Pathway Caring for Children's internal control over financial reporting and on our tests of their 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

CliftonLarsonAllen LLP

Canton, Ohio
October 22, 2024

PATHWAY CARING FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,485,440	$ 985,058
Accounts Receivable, Net	618,174	553,970
Pledges Receivable	-	1,000
Prepaid Expenses	313,894	249,216
Total Current Assets	2,417,508	1,789,244
BENEFICIAL INTEREST IN ASSETS HELD BY		
Stark Community Foundation	343,874	308,764
The Cleveland Foundation	119,484	105,925
Total Beneficial Interest in Assets	463,358	414,689
PROPERTY AND EQUIPMENT		
Land	40,000	40,000
Building and Equipment	339,142	339,142
Office Furniture and Equipment	391,784	372,905
Vehicles	109,495	109,495
Leasehold Improvements	22,820	22,820
Total	903,241	884,362
Less Accumulated Depreciation	640,454	611,081
Total Property and Equipment	262,787	273,281
OTHER ASSETS		
Deposits	21,139	21,339
Right of Use Asset-Operating Leases	670,554	868,474
Total Other Assets	691,693	889,813
Total Assets	$ 3,835,346	$ 3,367,027

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024 AND 2023

LIABILITIES AND NET ASSETS	2024	2023
CURRENT LIABILITIES		
Accounts Payable	$ 114,184	$ 76,796
Accrued Payroll and Related Expenses	104,092	104,638
Third-Party Advances	3,174	10,353
Short-Term Lease Liability-Operating Leases	191,383	197,920
Deferred Revenue:		
Fundraising	319,875	46,773
Grants	143,806	249,857
Total Current Liabilities	876,514	686,337
LONG-TERM LIABILITIES		
Long-Term Lease Liability-Operating Leases	479,171	670,554
Total Liabilities	1,355,685	1,356,891
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,845,911	1,553,783
Designated by the Board for Maintenance Fund	125,144	112,368
Designated by the Board for Jim Bridges Memorial Fund	16,165	14,515
Designated by the Board for Children's Fund	180,001	145,758
Total Without Donor Restrictions	2,167,221	1,826,424
With Donor Restrictions:		
Purpose Restrictions	170,392	41,664
Perpetual in Nature	142,048	142,048
Total With Donor Restrictions	312,440	183,712
Total Net Assets	2,479,661	2,010,136
Total Liabilities and Net Assets	$ 3,835,346	$ 3,367,027

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
CONTRACTS RECOGNIZED OVER TIME			
Placement Agencies	$ 1,499	$ -	$ 1,499
Mental Health	324,003	-	324,003
Training	66,523	-	66,523
CONTRIBUTIONS AND OTHER REVENUE RECOGNIZED AT A POINT IN TIME			
Grants	66,271	170,392	236,663
Contributions	257,669	-	257,669
Contributions - Estate Gifts	546,477	-	546,477
Special Events, net of Direct Donor Benefit of $24,866	626,401	-	626,401
Placement Agencies	2,005,749	-	2,005,749
Mental Health	2,334,070	-	2,334,070
Bridges	549,146	-	549,146
Other Revenue	22,206	-	22,206
Interest Income	60,932	-	60,932
Unrealized Gain on Beneficial Interest in Assets Held by Community Foundations	45,269	-	45,269
Total Support and Revenue	6,906,215	170,392	7,076,607
Net Assets Released from Restrictions	41,664	(41,664)	-
Total	6,947,879	128,728	7,076,607
EXPENSES			
Program Services Expense:			
Foster Care Network	2,114,656	-	2,114,656
Support Services	136,347	-	136,347
Mental Health	2,646,123	-	2,646,123
Bridges	527,794	-	527,794
Total Program Expenses	5,424,920	-	5,424,920
Supporting Services Expense:			
Administrative	906,977	-	906,977
Community Engagement	275,185	-	275,185
Total Supporting Services Expenses	1,182,162	-	1,182,162
Total Expenses	6,607,082	-	6,607,082
CHANGE IN NET ASSETS	340,797	128,728	469,525
Net Assets - Beginning of Year	1,826,424	183,712	2,010,136
NET ASSETS - END OF YEAR	$ 2,167,221	$ 312,440	$ 2,479,661

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
CONTRACTS RECOGNIZED OVER TIME			
Placement Agencies	$ 794	$ -	$ 794
Mental Health	480,575	-	480,575
Training	44,863	-	44,863
CONTRIBUTIONS AND OTHER REVENUE RECOGNIZED AT A POINT IN TIME			
Grants	265,604	12,000	277,604
Contributions	283,491	-	283,491
Special Events, net of Direct Donor Benefit of $30,920	645,803	-	645,803
Placement Agencies	2,182,046	-	2,182,046
Mental Health	2,228,892	-	2,228,892
Bridges	318,352	-	318,352
Other Revenue	42,818	-	42,818
Interest Income	33,725	-	33,725
Unrealized Gain on Beneficial Interest in Assets Held by Community Foundations	33,182	-	33,182
Total Support and Revenue	6,560,145	12,000	6,572,145
Net Assets Released from Restrictions	156,921	(156,921)	-
Total	6,717,066	(144,921)	6,572,145
EXPENSES			
Program Services Expense:			
Foster Care Network	2,290,790	-	2,290,790
Support Services	162,279	-	162,279
Mental Health	2,621,560	-	2,621,560
Bridges	422,021	-	422,021
Total Program Expenses	5,496,650	-	5,496,650
Supporting Services Expense:			
Administrative	904,255	-	904,255
Community Engagement	283,638	-	283,638
Total Supporting Services Expenses	1,187,893	-	1,187,893
Total Expenses	6,684,543	-	6,684,543
CHANGE IN NET ASSETS	32,523	(144,921)	(112,398)
Net Assets - Beginning of Year	1,793,901	328,633	2,122,534
NET ASSETS - END OF YEAR	$ 1,826,424	$ 183,712	$ 2,010,136

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services				
	Foster Care Network	Support Services	Mental Health	Bridges	Total Program Services
Salaries	$ 711,778	$ 64,330	$ 1,625,011	$ 142,876	$ 2,543,995
Payroll Taxes and Workers' Compensation	55,339	5,053	126,189	11,169	197,750
Fringe Benefits	89,250	13,787	232,248	17,573	352,858
Total Personnel	856,367	83,170	1,983,448	171,618	3,094,603
Promotional Expenses	8,150	47	6,459	97	14,753
Building Expenses	9,624	316	9,853	1,486	21,279
Contract Services	17,295	-	7,892	-	25,187
Dues and Subscriptions	2,638	260	7,797	541	11,236
Equipment and Leasing	39,224	955	50,942	2,716	93,837
Food - Hospitality	2,814	51	1,619	106	4,590
Foster Caregiver Expense	905,794	-	-	-	905,794
Insurance	34,498	9,300	91,045	6,986	141,829
Office Supplies and Postage	3,231	356	6,512	843	10,942
Professional Services	19,728	1,029	55,931	2,267	78,955
Program Related Activity Time	5,694	-	-	-	5,694
Program Supplies	1,779	24	93,950	-	95,753
Rent	68,927	7,896	101,619	16,315	194,757
Staff Recruitment	3,174	-	710	6	3,890
Training	53,310	-	134	-	53,444
Travel and Transportation	36,306	9,761	48,815	4,334	99,216
Utilities	12,730	1,494	29,782	4,268	48,274
Youth Needs	10,250	5,568	42,957	311,989	370,764
Bank Fees	-	-	1	1,192	1,193
Credit Loss Expense	2,400	-	81,000	-	83,400
Miscellaneous	13,277	782	15,927	714	30,700
Total Expenses Before Depreciation	2,107,210	121,009	2,636,393	525,478	5,390,090
Depreciation	7,446	15,338	9,730	2,316	34,830
Total Expenses	2,114,656	136,347	2,646,123	527,794	5,424,920
Additional Costs:					
Cost of Direct Benefit to Donors	-	-	-	-	-
Total Expenses	$ 2,114,656	$ 136,347	$ 2,646,123	$ 527,794	$ 5,424,920

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2024

	Supporting Services			
	Administrative	Community Engagement	Total Supporting Services	2024 Total
Salaries	$ 537,403	$ 158,346	$ 695,749	$ 3,239,744
Payroll Taxes and Workers' Compensation	39,727	11,993	51,720	249,470
Fringe Benefits	71,651	21,960	93,611	446,469
Total Personnel	648,781	192,299	841,080	3,935,683
Promotional Expenses	1,771	23,112	24,883	39,636
Building Expenses	6,266	2,415	8,681	29,960
Contract Services	10,618	214	10,832	36,019
Dues and Subscriptions	6,041	2,823	8,864	20,100
Equipment and Leasing	40,850	13,315	54,165	148,002
Food - Hospitality	2,399	561	2,960	7,550
Foster Caregiver Expense	-	-	-	905,794
Insurance	26,309	7,967	34,276	176,105
Office Supplies and Postage	3,612	2,038	5,650	16,592
Professional Services	25,079	2,429	27,508	106,463
Program Related Activity Time	-	-	-	5,694
Program Supplies	-	22	22	95,775
Rent	61,549	15,483	77,032	271,789
Staff Recruitment	3,436	7	3,443	7,333
Training	-	-	-	53,444
Travel and Transportation	8,799	3,599	12,398	111,614
Utilities	14,252	2,753	17,005	65,279
Youth Needs	-	-	-	370,764
Bank Fees	12,386	1,988	14,374	15,567
Credit Loss Expense	-	1,000	1,000	84,400
Miscellaneous	27,363	962	28,325	59,025
Total Expense Before Depreciation	899,511	272,987	1,172,498	6,562,588
Depreciation	7,466	2,198	9,664	44,494
Total Expenses	906,977	275,185	1,182,162	6,607,082
Additional Costs:				
Cost of Direct Benefit to Donors	-	24,866	24,866	24,866
Total Expenses	$ 906,977	$ 300,051	$ 1,207,028	$ 6,631,948

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services				
	Foster Care Network	Support Services	Mental Health	Bridges	Total Program Services
Salaries	$ 743,310	$ 74,225	$ 1,636,345	$ 144,752	$ 2,598,632
Payroll Taxes and Workers' Compensation	60,315	5,873	131,911	11,809	209,908
Fringe Benefits	98,563	13,157	179,958	18,715	310,393
Total Personnel	902,188	93,255	1,948,214	175,276	3,118,933
Promotional Expenses	11,747	380	18,589	570	31,286
Building Expenses	10,672	329	7,474	3,389	21,864
Contract Services	12,717	48	(1,376)	87	11,476
Dues and Subscriptions	1,932	195	6,105	347	8,579
Equipment and Leasing	34,386	995	53,638	3,829	92,848
Food - Hospitality	1,667	80	1,260	124	3,131
Foster Caregiver Expense	1,041,494	-	-	-	1,041,494
Insurance	35,335	12,023	81,333	6,949	135,640
Office Supplies and Postage	4,119	566	6,942	270	11,897
Professional Services	19,555	1,595	61,461	2,077	84,688
Program Related Activity Time	5,144	-	-	-	5,144
Program Supplies	771	-	19,794	-	20,565
Rent	74,277	9,897	95,342	-	179,516
Staff Recruitment	435	-	403	-	838
Training	49,566	-	-	-	49,566
Travel and Transportation	32,347	20,691	47,710	5,316	106,064
Utilities	14,502	2,097	27,686	5,913	50,198
Youth Needs	5,917	3,780	38,815	203,200	251,712
Bank Fees	-	-	-	1,188	1,188
Credit Loss Expense	7,241	50	174,987	773	183,051
Loss on Disposal of Assets	-	-	-	-	-
Miscellaneous	9,856	358	9,771	1,013	20,998
Total Expenses Before Depreciation	2,275,868	146,339	2,598,148	410,321	5,430,676
Depreciation	14,922	15,940	23,412	11,700	65,974
Total Expenses	2,290,790	162,279	2,621,560	422,021	5,496,650
Additional Costs:					
Cost of Direct Benefit to Donors	-	-	-	-	-
Total Expenses	$ 2,290,790	$ 162,279	$ 2,621,560	$ 422,021	$ 5,496,650

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Supporting Services			
	Administrative	Community Engagement	Total Supporting Services	2023 Total
Salaries	$ 534,334	$ 158,861	$ 693,195	$ 3,291,827
Payroll Taxes and Workers' Compensation	42,050	12,995	55,045	264,953
Fringe Benefits	60,582	28,264	88,846	399,239
Total Personnel	636,966	200,120	837,086	3,956,019
Promotional Expenses	2,783	19,633	22,416	53,702
Building Expenses	3,094	2,529	5,623	27,487
Contract Services	321	97	418	11,894
Dues and Subscriptions	3,889	3,182	7,071	15,650
Equipment and Leasing	22,521	9,265	31,786	124,634
Food - Hospitality	1,565	573	2,138	5,269
Foster Caregiver Expense	-	-	-	1,041,494
Insurance	24,314	7,516	31,830	167,470
Office Supplies and Postage	4,264	4,200	8,464	20,361
Professional Services	22,044	2,602	24,646	109,334
Program Related Activity Time	-	-	-	5,144
Program Supplies	-	-	-	20,565
Rent	62,954	16,047	79,001	258,517
Staff Recruitment	779	-	779	1,617
Training	-	-	-	49,566
Travel and Transportation	5,477	3,371	8,848	114,912
Utilities	13,020	2,889	15,909	66,107
Youth Needs	264	72	336	252,048
Bank Fees	10,489	1,599	12,088	13,276
Credit Loss Expense	10,000	1,966	11,966	195,017
Loss on Disposal of Assets	45,708	-	45,708	45,708
Miscellaneous	27,601	992	28,593	49,591
Total Expense Before Depreciation	898,053	276,653	1,174,706	6,605,382
Depreciation	6,202	6,985	13,187	79,161
Total Expenses	904,255	283,638	1,187,893	6,684,543
Additional Costs:				
Cost of Direct Benefit to Donors	-	30,920	30,920	30,920
Total Expenses	$ 904,255	$ 314,558	$ 1,218,813	$ 6,715,463

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 469,525	$ (112,398)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	44,494	79,161
Change in Beneficial Interest in Assets Held by Community Foundations	(48,669)	(36,258)
Loss on Disposal of Assets	-	45,708
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(64,204)	(98,771)
Pledges Receivable	1,000	1,200
Prepaid Expenses	(64,678)	(54,987)
Deposits	200	3,533
Increase (Decrease) in Liabilities:		
Accounts Payable	37,388	(53)
Accrued Payroll and Related Expenses	(546)	(17,384)
Third-Party Advances	(7,179)	(46,259)
Deferred Revenue	167,051	150,218
Net Cash Provided (Used) by Operating Activities	534,382	(86,290)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(34,000)	(43,837)
Net Cash Used by Investing Activities	(34,000)	(43,837)
NET CHANGE IN CASH	500,382	(130,127)
Cash - Beginning of Year	985,058	1,115,185
CASH - END OF YEAR	$ 1,485,440	$ 985,058
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Operating Leases		
Right-of-Use Assets	$ 670,554	$ -
Lease Liabilities	(670,554)	-
Total	$ -	$ -

See accompanying Notes to Financial Statements.

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 $312,440 and $183,712 at June 30, 2024 and 2023, 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.

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.

Accounts Receivable and Contractual Adjustments

Accounts receivable represent payment to be received for services provided by the Organization. The Organization has agreements with certain third-party payors that may provide for payments to the Organization at amounts different from its established rates resulting in contractual adjustments. Management uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The Organization considered various factors such as borrower creditworthiness, loan-to-value ratios, and collateral values to estimate credit losses. These receivables are written off when deemed uncollectible. Recoveries of receivables for amounts previously written off are recorded when received. The allowance for current expected credit losses was $28,052 and $11,697 as of June 30, 2024 and 2023, 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 $44,494 and $79,161 in 2024 and 2023, 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.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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 $39,636 and $53,702 in 2024 and 2023, respectively.

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. There were no pledges receivable outstanding at June 30, 2024. At June 30, 2023, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unconditional promises to give as contributions when cash, securities, other assets, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

When the Organization receives funds in advance of the recognition of revenue, a contract liability (deferred revenue) is recognized. Contract liabilities represent services which have not yet been rendered. Contract Liabilities as of July 1, 2022 were $120,677. The following is a summary of the Organization's contract liabilities as of June 30:

	2024	2023
Deferred Revenue	$ 143,806	$ 249,857

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. The contract assets, net of allowance for current expected credit losses as of July 1, 2022 were $455,199. The following is a summary of the Organization's contract assets, net of current expected credit losses as of June 30:

	2024	2023
Accounts Receivable, Net	$ 618,174	$ 553,970

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, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as credit loss 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.

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 though the CARES Act Provider Relief Fund (PRF). Total PRF grant funds approved and received by the Organization approximated $0 and $61,202 at June 30, 2024 and 2023, respectively. The Organization recognized these funds within Grants 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.

Investments

The Organization's investments in debt and equity securities are recorded at fair market value based on published quotations, except estimates are used when such quotations are not available. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Realized gains and losses on the sale of investments are calculated based on specific identification (see Note 2).

Changes in Accounting Principle

At the beginning of 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU 2016-03), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument,* as amended, which modified the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

The Organization has revenue which is recognized over time when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables. An allowance for credit losses related to such receivables is established based upon historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. The Organization periodically assesses its methodologies for estimating credit losses in consideration of actual experience, trends, and changes in the overall economic environment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through October 22, 2024, which is the date the financial statements were available to be issued.

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 $463,358 and $414,689 for the years ended June 30, 2024 and 2023, respectively.

NOTE 3 BENEFICIAL INTEREST IN ASSETS HELD BY 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, 2024 and 2023 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.

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

Children's Fund – Established with 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.

	2024	2023
Maintenance Fund	$ 125,144	$ 112,368
Jim Bridges Memorial Fund	16,165	14,515
Children's Fund	202,566	181,881
TCF Growth Pool	119,483	105,925
Total	$ 463,358	$ 414,689

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 directors. 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.

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

The composition of the Organization's Fund by net asset class for the years ended June 30, 2024 and 2023 is as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	$ -	$ 142,048	$ 142,048
Board-Designated Funds	321,310	-	321,310
Total	$ 321,310	$ 142,048	$ 463,358

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	$ -	$ 142,048	$ 142,048
Board-Designated Funds	272,641	-	272,641
Total	$ 272,641	$ 142,048	$ 414,689

NOTE 4 LINE OF CREDIT

The Organization has available a $370,000 line of credit with The Huntington National Bank with a maturity date of February 28, 2025. There was no outstanding balance on the line of credit as of June 30, 2024 or 2023. All borrowings bear interest at prime + 0.25% (8.75% at June 30, 2024) and are secured by all the Organization's assets.

NOTE 5 LEASES

The Organization leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from 12 months to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. The following tables provide quantitative information concerning the Organization's leases for the years ended June 30:

	2024	2023
Lease Cost:		
Operating Lease Cost	$ 224,401	$ 155,859
Total Lease Cost	$ 224,401	$ 155,859
Other Information:		
Operating Cash Flows from Operating Leases	$ 224,401	$ 155,859
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	-	781,713
Weighted-Average Remaining Lease Term - Operating Leases	3.3 Years	4.2 Years
Weighted-Average Discount Rate - Operating Leases	5.13%	5.13%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024, is as follows:

Years Ended June 30,	Operating
2025	$ 220,329
2026	215,329
2027	191,735
2028	101,664
Undiscounted Cash Flows	729,057
(Less) Imputed Interest	(58,503)
Total Present Value	670,554
Short-Term Lease Liabilities	(191,383)
Long-Term Lease Liabilities	(479,171)
Total	$ (670,554)

NOTE 6 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 six percent (6%) of pay that the employee invests. Retirement costs under this plan for the years ended June 30, 2024 and 2023 were $49,788 and $34,395, respectively.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Foster Care and Family Services	$ 122,692	$ 16,420
Mental Health	47,700	25,244
Total	$ 170,392	$ 41,664

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 years ended June 30:

	2024	2023
Foster Care and Family Services	$ 16,420	$ 156,262
Mental Health	25,244	659
Total	$ 41,664	$ 156,921

Perpetually restricted net assets consist of investments to be held indefinitely. The investments are held in a component trust of pooled income funds managed by the Stark Community Foundation. The restricted portion of this trust fund was $142,048 at June 30, 2024 and 2023.

NOTE 8 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2024 and 2023 reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	2024	2023
Cash	$ 1,485,440	$ 985,058
Accounts Receivable, Net	618,174	553,970
Pledges Receivable	-	1,000
Total	2,103,614	1,540,028
Less: Those Unavailable for General Expenditures Within One Year Included in Amounts Above:		
Net Assets With Donor Restriction:		
Subject to Purpose Restriction	170,392	41,664
Total	170,392	41,664
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,933,222	$ 1,498,364

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, 2024, and the related statement 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 22, 2024.

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 or significant deficiencies 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

CliftonLarsonAllen LLP

Canton, Ohio
October 22, 2024