PATHWAY CARING FOR CHILDREN

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, and the results of its operations 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 28, 2022 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 28, 2022

PATHWAY CARING FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 1,115,185	$ 1,142,545
Accounts Receivable, Net	455,199	559,311
Pledges Receivable	2,200	3,700
Prepaid Expenses	194,229	153,817
Total Current Assets	1,766,813	1,859,373
BENEFICIAL INTEREST IN ASSETS HELD BY		
Stark Community Foundation	284,332	305,558
The Cleveland Foundation	94,099	109,890
Total Beneficial Interest in Assets	378,431	415,448
PROPERTY AND EQUIPMENT		
Land	40,000	40,000
Building and Equipment	448,516	448,516
Office Furniture and Equipment	547,225	506,175
Vehicles	102,768	101,768
Leasehold Improvements	92,807	69,987
	1,231,316	1,166,446
Less Accumulated Depreciation	877,003	810,070
Total Property and Equipment	354,313	356,376
OTHER ASSETS		
Deposits	24,872	24,663
Total Other Assets	24,872	24,663
Total Assets	$ 2,524,429	$ 2,655,860

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
LIABILITIES		
Accounts Payable	$ 76,849	$ 73,082
Accrued Payroll and Related Expenses	122,022	293,449
Third-Party Advances	56,612	152,815
Deferred Revenue:		
Fundraising	25,735	40,654
Grants	120,677	104,313
Total Liabilities	401,895	664,313
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,557,518	1,431,833
Designated by the Board for Maintenance Fund	103,555	111,296
Designated by the Board for Jim Bridges Memorial Fund	13,376	14,377
Designated by the Board for Children's Fund	119,452	147,727
Total Without Donor Restrictions	1,793,901	1,705,233
With Donor Restrictions:		
Purpose Restrictions	186,585	144,266
Perpetual in Nature	142,048	142,048
Total With Donor Restrictions	328,633	286,314
Total Net Assets	2,122,534	1,991,547
Total Liabilities and Net Assets	$ 2,524,429	$ 2,655,860

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
CONTRACTS RECOGNIZED OVER TIME			
Placement Agencies	$ 1,301	$ -	$ 1,301
Mental Health	263,612	-	263,612
Training	61,755	-	61,755
CONTRIBUTIONS AND OTHER REVENUE RECOGNIZED AT A POINT IN TIME			
Grants, Contributions and Special Events	1,130,314	79,462	1,209,776
Placement Agencies	2,269,577	-	2,269,577
Mental Health	1,971,125	-	1,971,125
Bridges	277,369	-	277,369
Other Revenue	81,555	-	81,555
Interest Income	1,610	-	1,610
Unrealized Gain on Beneficial Interest in Assets Held by Community Foundations	(38,224)	-	(38,224)
Total Support and Revenue	6,019,994	79,462	6,099,456
Net Assets Released from Restrictions	37,143	(37,143)	-
Total	6,057,137	42,319	6,099,456
EXPENSES			
Program Services Expense:			
Foster Care Network	2,158,395	-	2,158,395
Family Services Network	166,835	-	166,835
Mental Health	2,173,234	-	2,173,234
Bridges	361,171	-	361,171
Total Program Expenses	4,859,635	-	4,859,635
Supporting Services Expense:			
Administrative	782,475	-	782,475
Community Engagement	326,359	-	326,359
Total Supporting Services Expenses	1,108,834	-	1,108,834
Total Expenses	5,968,469	-	5,968,469
CHANGE IN NET ASSETS	88,668	42,319	130,987
Net Assets - Beginning of Year	1,705,233	286,314	1,991,547
NET ASSETS - END OF YEAR	$ 1,793,901	$ 328,633	$ 2,122,534

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
SUPPORT AND REVENUE			
CONTRACTS RECOGNIZED OVER TIME			
Placement Agencies	$ 7,994	$ -	$ 7,994
Mental Health	268,462	-	268,462
Training	93,640	-	93,640
CONTRIBUTIONS AND OTHER REVENUE RECOGNIZED AT A POINT IN TIME			
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 Loss on Beneficial Interest in Assets Held by Community Foundations	86,489	-	86,489
Total Support and Revenue	7,517,694	59,142	7,576,836
Net Assets Released from Restrictions	223,003	(223,003)	-
Total	7,740,697	(163,861)	7,576,836
EXPENSES			
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	5,378,448	-	5,378,448
Supporting Services Expense:			
Administrative	693,298	-	693,298
Development	317,253	-	317,253
Total Supporting Services Expenses	1,010,551	-	1,010,551
Total Expenses	6,388,999	-	6,388,999
CHANGE IN NET ASSETS	1,351,698	(163,861)	1,187,837
Net Assets - Beginning of Year	353,535	450,175	803,710
NET ASSETS - END OF YEAR	$ 1,705,233	$ 286,314	$ 1,991,547

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				
	Foster Care Network	Family Services Network	Mental Health	Bridges	Total Program Services
Salaries	$ 682,892	$ 70,816	$ 1,372,853	$ 112,473	$ 2,239,034
Payroll Taxes and Workers' Compensation	62,504	6,654	117,093	9,929	196,180
Fringe Benefits	83,894	13,726	152,186	17,519	267,325
Total Personnel	829,290	91,196	1,642,132	139,921	2,702,539
Promotional Expenses	10,916	259	15,360	233	26,768
Building Expenses	7,057	360	19,505	4,919	31,841
Contract Services	15,310	481	(5,233)	654	11,212
Dues and Subscriptions	2,556	319	4,658	336	7,869
Equipment and Leasing	32,730	1,453	39,726	3,586	77,495
Food - Hospitality	1,824	172	1,947	56	3,999
Foster Caregiver Expense	993,989	-	-	-	993,989
Insurance	32,165	21,585	61,471	9,873	125,094
Office Supplies and Postage	5,016	1,278	8,112	255	14,661
Professional Services	26,020	1,914	73,809	3,524	105,267
Program Related Activity Time	2,046	-	-	-	2,046
Program Supplies	-	-	7,641	-	7,641
Rent	79,580	16,309	93,268	-	189,157
Staff Recruitment	50	7	104	10	171
Training	44,195	-	-	-	44,195
Travel and Transportation	27,859	17,717	33,454	4,407	83,437
Utilities	16,745	2,823	26,312	7,202	53,082
Youth Needs	5,302	2,767	42,274	171,540	221,883
Bank Fees	15	2	31	1,085	1,133
Bad Debt	7,241	50	82,368	773	90,432
Miscellaneous	4,278	337	5,840	508	10,963
Total Expenses Before Depreciation	2,144,184	159,029	2,152,779	348,882	4,804,874
Depreciation	14,211	7,806	20,455	12,289	54,761
Total Expenses	$ 2,158,395	$ 166,835	$ 2,173,234	$ 361,171	$ 4,859,635

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Supporting Services			
	Administrative	Community Engagement	Total Supporting Services	2022 Total
Salaries	$ 457,070	$ 182,392	$ 639,462	$ 2,878,496
Payroll Taxes and Workers' Compensation	40,871	15,955	56,826	253,006
Fringe Benefits	49,867	24,088	73,955	341,280
Total Personnel	547,808	222,435	770,243	3,472,782
Promotional Expenses	2,392	24,735	27,127	53,895
Building Expenses	1,965	2,114	4,079	35,920
Contract Services	2,865	923	3,788	15,000
Dues and Subscriptions	3,822	3,419	7,241	15,110
Equipment and Leasing	22,153	8,608	30,761	108,256
Food - Hospitality	1,357	945	2,302	6,301
Foster Caregiver Expense	-	-	-	993,989
Insurance	21,454	8,229	29,683	154,777
Office Supplies and Postage	6,111	5,247	11,358	26,019
Professional Services	30,211	3,174	33,385	138,652
Program Related Activity Time	-	-	-	2,046
Program Supplies	-	-	-	7,641
Rent	61,708	21,586	83,294	272,451
Staff Recruitment	34	514	548	719
Training	-	-	-	44,195
Travel and Transportation	11,435	3,262	14,697	98,134
Utilities	12,119	4,410	16,529	69,611
Youth Needs	48	217	265	222,148
Bank Fees	8,320	62	8,382	9,515
Bad Debt	-	2,466	2,466	92,898
Miscellaneous	49,008	1,505	50,513	61,476
Total Expense Before Depreciation	782,810	313,851	1,096,661	5,901,535
Depreciation	(335)	12,508	12,173	66,934
Total Expenses	$ 782,475	$ 326,359	$ 1,108,834	$ 5,968,469

See accompanying Notes to Financial Statements.

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

	Program Services				
	Foster Care Network	Family Services Network	Mental Health	Bridges	Total Program Services
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	912,384	15,953	1,454,056	205,551	2,587,944
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	2,462,930	45,839	1,986,830	823,021	5,318,620
Depreciation	28,396	855	17,694	12,883	59,828
Total Expenses	$ 2,491,326	$ 46,694	$ 2,004,524	$ 835,904	$ 5,378,448

See accompanying Notes to Financial Statements.

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

	Supporting Services			
	Administrative	Community Engagement	Total Supporting Services	2021 Total
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	487,309	223,073	710,382	3,298,326
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	687,822	311,792	999,614	6,318,234
Depreciation	5,476	5,461	10,937	70,765
Total Expenses	$ 693,298	$ 317,253	$ 1,010,551	$ 6,388,999

See accompanying Notes to Financial Statements.

PATHWAY CARING FOR CHILDREN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 130,987	$ 1,187,837
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	66,934	70,765
Change in Beneficial Interest in Assets Held by Community Foundations	37,017	(88,128)
CARES Act Paycheck Protection Program Loan Forgiveness	-	(706,027)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	104,112	638
Pledges Receivable	1,500	10,214
Prepaid Expenses	(40,412)	(98,726)
Deposits	(209)	500
Unbilled Revenue	-	2,314
Increase (Decrease) in Liabilities:		
Accounts Payable	3,767	(106,935)
Accrued Payroll and Related Expenses	(171,427)	99,951
Third-Party Advances	(96,203)	(141,545)
Deferred Revenue	1,445	(97,316)
Net Cash Provided by Operating Activities	37,511	133,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(64,871)	(41,549)
Net Cash Used by Investing Activities	(64,871)	(41,549)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	-	(166)
Net Cash Used by Financing Activities	-	(166)
NET CHANGE IN CASH	(27,360)	91,827
Cash - Beginning of Year	1,142,545	1,050,718
CASH - END OF YEAR	$ 1,115,185	$ 1,142,545

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 $328,633 and $286,314 at June 30, 2022 and 2021, 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.

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, 2022 and 2021, the allowance for doubtful accounts was $35,179 and $36,852, 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 $66,934 and $70,765 in 2022 and 2021, 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 $53,895 and $36,996 in 2022 and 2021, respectively.

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, 2022 and 2021, 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 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.

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.

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. The contract liability as of July 1, 2020, was $234,283. The following is a summary of the Organization’s contract liabilities as of June 30:

	2022	2021
Deferred Revenue	$ 120,677	$ 104,313

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured clients, and offers those uninsured clients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for clients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to government and contract Organization fee revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

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

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

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

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 $38,160 and $91,471 at June 30, 2022 and 2021, respectively. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standards. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

Risks and Uncertainty

During 2020, 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, 2022.

Subsequent Events

Management has evaluated subsequent events through October 28, 2022, 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 $378,431 and $415,448 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 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 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.

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

	2022	2021
Maintenance Fund	$ 103,555	$ 111,296
Jim Bridges Memorial Fund	13,376	14,377
Children's Fund	167,400	179,885
TCF Growth Pool	94,100	109,890
Total	$ 378,431	$ 415,448

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, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	$ -	$ 142,048	$ 142,048
Board-Designated Funds	236,383	-	236,383
Total	$ 236,383	$ 142,048	$ 378,431

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Funds	$ -	$ 142,048	$ 142,048
Board-Designated Funds	273,400	-	273,400
Total	$ 273,400	$ 142,048	$ 415,448

NOTE 4 LINE OF CREDIT

The Organization has available a $370,000 line of credit with The Huntington National Bank. The outstanding balance was entirely paid off as of June 30, 2021 and no draws were made on the line during 2022. All borrowings bear interest at prime + 0.25% (4.75% at June 30, 2022) 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). On April 13, 2021, the SBA formally approved forgiveness in the full amount of the Organization's obligation under 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. The SBA may review funding and eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

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, 2022:

Year Ending June 30,	Amount
2023	$ 271,423
2024	59,418
2025	46,518
2026	41,046
2027	17,715
Total	$ 436,120

Rent expense for leased facilities and equipment was $272,451 and $295,256 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 RETIREMENT PLAN

The Organization has a salary deferral plan under Section 403(b) of the Internal Revenue Code. The plan allows eligible employees to defer a portion of their compensation. All employees are eligible to participate in the deferral. The Organization matches fifty cents ($.50) to the dollar ($1.00) up to a maximum of three percent (3%) of pay that the employee invests. Retirement costs under this plan for the years ended June 30, 2022 and 2021 were $20,115 and $18,603, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Foster Care and Family Services	$ 160,682	$ 144,266
Mental Health	25,903	-
Total	$ 186,585	$ 144,266

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:

	2022	2021
Scholarships	$ -	$ 4,207
Foster Care and Family Services	37,143	210,178
Mental Health	-	1,305
Education	-	7,313
Total	$ 37,143	$ 223,003

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, 2022 and 2021.

NOTE 9 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2022 and 2021 reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	2022	2021
Cash	$ 1,115,185	$ 1,142,545
Accounts Receivable, Net	455,199	559,311
Pledges Receivable	2,200	3,700
Total	1,572,584	1,705,556
Less: Those Unavailable for General Expenditures Within One Year Included in Amounts Above:		
Net Assets With Donor Restriction:		
Subject to Purpose Restriction	186,585	144,266
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,385,999	$ 1,561,290

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, 2022, 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 28, 2022.

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.

Board of Directors
Pathway Caring for Children

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 28, 2022