# PATHWAY CARING FOR CHILDREN

# FINANCIAL STATEMENTS AND COMPLIANCE REPORT

# YEARS ENDED JUNE 30, 2023 AND 2022

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**PATHWAY CARING FOR CHILDREN**
**TABLE OF CONTENTS**
**YEARS ENDED JUNE 30, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

### *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 24, 2023 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 24, 2023

# PATHWAY CARING FOR CHILDREN
# STATEMENTS OF FINANCIAL POSITION
# JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 985,058 | $ 1,115,185 |
| Accounts Receivable, Net | 553,970 | 455,199 |
| Pledges Receivable | 1,000 | 2,200 |
| Prepaid Expenses | 249,216 | 194,229 |
| Total Current Assets | 1,789,244 | 1,766,813 |
| **BENEFICIAL INTEREST IN ASSETS HELD BY** | | |
| Stark Community Foundation | 308,764 | 284,332 |
| The Cleveland Foundation | 105,925 | 94,099 |
| Total Beneficial Interest in Assets | 414,689 | 378,431 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | 40,000 | 40,000 |
| Building and Equipment | 339,142 | 448,516 |
| Office Furniture and Equipment | 372,905 | 547,225 |
| Vehicles | 109,495 | 102,768 |
| Leasehold Improvements | 22,820 | 92,807 |
| | 884,362 | 1,231,316 |
| Less Accumulated Depreciation | 611,081 | 877,003 |
| Total Property and Equipment | 273,281 | 354,313 |
| **OTHER ASSETS** | | |
| Deposits | 21,339 | 24,872 |
| Right of Use Asset-Operating Leases | 868,474 | - |
| Total Other Assets | 889,813 | 24,872 |
| Total Assets | $ 3,367,027 | $ 2,524,429 |

*See accompanying Notes to Financial Statements.*

## PATHWAY CARING FOR CHILDREN
## STATEMENTS OF FINANCIAL POSITION (CONTINUED)
## JUNE 30, 2023 AND 2022

| LIABILITIES AND NET ASSETS | 2023 | 2022 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 76,796 | $ 76,849 |
| Accrued Payroll and Related Expenses | 104,638 | 122,022 |
| Third-Party Advances | 10,353 | 56,612 |
| Short-Term Lease Liability-Operating Lease | 197,920 | - |
| Deferred Revenue: | | |
| Fundraising | 46,773 | 25,735 |
| Grants | 249,857 | 120,677 |
| Total Current Liabilities | 686,337 | 401,895 |
| **LONG-TERM LIABILITIES** | | |
| Long-Term Lease Liability-Operating Lease | 670,554 | - |
| Total Liabilities | 1,356,891 | 401,895 |
| **NET ASSETS** | | |
| Without Donor Restrictions: | | |
| Undesignated | 1,553,783 | 1,557,518 |
| Designated by the Board for Maintenance Fund | 112,368 | 103,555 |
| Designated by the Board for Jim Bridges Memorial Fund | 14,515 | 13,376 |
| Designated by the Board for Children's Fund | 145,758 | 119,452 |
| Total Without Donor Restrictions | 1,826,424 | 1,793,901 |
| With Donor Restrictions: | | |
| Purpose Restrictions | 41,664 | 186,585 |
| Perpetual in Nature | 142,048 | 142,048 |
| Total With Donor Restrictions | 183,712 | 328,633 |
| Total Net Assets | 2,010,136 | 2,122,534 |
| Total Liabilities and Net Assets | $ 3,367,027 | $ 2,524,429 |

*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, Contributions and Special Events, net of Direct Donor Benefit of $30,920 | 1,194,898 | 12,000 | 1,206,898 |
| 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 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, net of Direct Donor Benefit of $14,584 | 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 Loss 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 |
| Support Services | 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 |
| Development | 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 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 |
| Bad Debt | 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 |
| Bad Debt | 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
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED JUNE 30, 2022

| | Program Services | | | | |
|---|---|---|---|---|---|
| | Foster Care Network | Support Services | 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 |
| Additional Costs: | | | | | |
| Cost of Direct Benefit to Donors | - | - | - | - | - |
| 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 |
| Additional Costs: | | | | |
| Cost of Direct Benefit to Donors | - | 14,584 | 14,584 | 14,584 |
| Total Expenses | $ 782,475 | $ 340,943 | $ 1,123,418 | $ 5,983,053 |

*See accompanying Notes to Financial Statements.*

# PATHWAY CARING FOR CHILDREN
# STATEMENTS OF CASH FLOWS
# YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ (112,398) | $ 130,987 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 79,161 | 66,934 |
| Change in Beneficial Interest in Assets Held by Community Foundations | (36,258) | 37,017 |
| Loss on Disposal of Assets | 45,708 | - |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable, Net | (98,771) | 104,112 |
| Pledges Receivable | 1,200 | 1,500 |
| Prepaid Expenses | (54,987) | (40,412) |
| Deposits | 3,533 | (209) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (53) | 3,767 |
| Accrued Payroll and Related Expenses | (17,384) | (171,427) |
| Third-Party Advances | (46,259) | (96,203) |
| Deferred Revenue | 150,218 | 1,445 |
| Net Cash Provided (Used) by Operating Activities | (86,290) | 37,511 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Property and Equipment | (43,837) | (64,871) |
| Net Cash Used by Investing Activities | (43,837) | (64,871) |
| **NET CHANGE IN CASH** | (130,127) | (27,360) |
| Cash - Beginning of Year | 1,115,185 | 1,142,545 |
| **CASH - END OF YEAR** | $ 985,058 | $ 1,115,185 |

*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 $183,712 and $328,633 at June 30, 2023 and 2022, 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, 2023 and 2022, the allowance for doubtful accounts was $11,697 and $35,179, 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 $79,161 and $66,934 in 2023 and 2022, 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 right-of-use (ROU) assets – financing and lease liability – financing in the statement of financial position.

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.

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

### Leases (Continued)

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 $53,702 and $53,895 in 2023 and 2022, 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. At June 30, 2023 and 2022, 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.

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

**Revenue Recognition (Continued)**

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.

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, 2021 were $104,313. The following is a summary of the Organization's contract liabilities as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Deferred Revenue | $ 249,857 | $ 120,677 |

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

**Revenue Recognition (Continued)**

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

Clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured clients, and offers those uninsured clients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for clients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to government and contract Organization fee revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2023 and 2022. 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

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

### 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 $61,202 and $38,160 at June 30, 2023 and 2022, 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.

### 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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

In September 2020, the FASB issued Account Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 948).* This standard required that contributed nonfinancial assets are reported on a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disclosures of disaggregated amounts on 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.

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

**Subsequent Events**

Management has evaluated subsequent events through October 24, 2023, 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 $414,689 and $378,431 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 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.

| | 2023 | 2022 |
|---|---|---|
| Maintenance Fund | $ 112,368 | $ 103,555 |
| Jim Bridges Memorial Fund | 14,515 | 13,376 |
| Children's Fund | 181,881 | 167,400 |
| TCF Growth Pool | 105,925 | 94,100 |
| Total | $ 414,689 | $ 378,431 |

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.

The composition of the Organization's Fund by net asset class for the years ended June 30, 2023 and 2022 is as follows:

| | 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 |

| | 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 |

## 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 2, 2024. The outstanding balance was entirely paid off as of June 30, 2021 and no draws were made on the line during 2022 or 2023. All borrowings bear interest at prime + 0.25% (8.50% at June 30, 2023) 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 year ended June 30, 2023:

| | |
|---|---|
| Lease Cost | |
| Operating lease cost | $ 155,859 |
| Total lease cost | 155,859 |
| | |
| Other Information | |
| Operating cash flows from operating leases | $ 155,859 |
| Right-of-use assets obtained in exchange for new operating lease liabilities: | 781,713 |
| Weighted-average remaining lease term - operating leases | 4.2 Years |
| Weighted-average discount rate - operating leases | 5.13% |

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

| Years Ended June 30, | Operating |
|---|---|
| 2024 | $ 236,801 |
| 2025 | 220,329 |
| 2026 | 215,329 |
| 2027 | 206,258 |
| 2028 | 87,140 |
| Undiscounted Cash Flows | 965,857 |
| (Less) Imputed Interest | (97,383) |
| Total Present Value | 868,474 |
| | |
| Short-Term Lease Liabilities | (197,920) |
| Long-Term Lease Liabilities | (670,554) |
| Total | $ (868,474) |

## NOTE 6 OPERATING LEASE AGREEMENTS – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption. Lease disclosures for the year ended June 30, 2022 were made under prior lease guidance in FASB ASC 840.

The Organization leases office space and copiers under noncancelable operating leases. Total rent expense under these operating leases was $272,451 for 2022. Future minimum rent commitments under this facility lease were as follows:

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

## 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 six percent (6%) of pay that the employee invests. Retirement costs under this plan for the years ended June 30, 2023 and 2022 were $34,395 and $20,115, respectively.

## NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2023 | 2022 |
|---|---|---|
| Foster Care and Family Services | $ 16,420 | $ 160,682 |
| Mental Health | 25,244 | 25,903 |
| Total | $ 41,664 | $ 186,585 |

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:

| | 2023 | 2022 |
|---|---|---|
| Foster Care and Family Services | $ 156,262 | $ 37,143 |
| Mental Health | 659 | - |
| Total | $ 156,921 | $ 37,143 |

## NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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, 2023 and 2022.

## NOTE 9 LIQUIDITY

The following reflects the Organization's financial assets as of June 30, 2023 and 2022 reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 985,058 | $ 1,115,185 |
| Accounts Receivable, Net | 553,970 | 455,199 |
| Pledges Receivable | 1,000 | 2,200 |
| Total | 1,540,028 | 1,572,584 |
| Less: Those Unavailable for General Expenditures Within One Year Included in Amounts Above: | | |
| Net Assets With Donor Restriction: | | |
| Subject to Purpose Restriction | 41,664 | 186,585 |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | $ 1,498,364 | $ 1,385,999 |

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, 2023, 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 24, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pathway Caring for Children's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pathway Caring for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Pathway Caring for Children's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pathway Caring for Children's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Canton, Ohio
October 24, 2023