

PathForward, Inc. and Affiliate

Consolidated Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

June 30, 2024 and 2023

PathForward, Inc. and Affiliate

Consolidated Financial Statements June 30, 2024 and 2023

Contents

Independent Auditor's Report.....	1-3
<i>Consolidated Financial Statements</i>	
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities.....	5-6
Consolidated Statements of Functional Expenses	7-8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	10-24
<i>Supplementary Information</i>	
Consolidating Schedule of Financial Position	25
Consolidating Schedule of Activities.....	26
<i>Supplementary Schedule and Reports Required by the Uniform Guidance</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	27-28
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	29-31
Schedule of Expenditures of Federal Awards.....	32
Notes to the Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs.....	34-35
Corrective Action Plan.....	36
Schedule of Prior Audit Findings	37

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PathForward, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of PathForward, Inc. and Affiliate (collectively, "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of financial position, consolidating schedule of activities, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "&" symbol being prominent.

Vienna, Virginia
January 22, 2025

PathForward, Inc. and Affiliate

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 1,446,014	\$ 1,116,385
Investments	1,384,412	1,253,715
Contributions and grants receivable	136,590	691,802
Prepaid expenses and other assets	126,246	101,819
Property and equipment, net	1,605,410	1,616,135
Right-of-use assets – operating lease	11,754	17,511
Total assets	<u>\$ 4,710,426</u>	<u>\$ 4,797,367</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 370,970	\$ 261,876
Refundable advances	178,230	365,537
Deferred revenue	-	8,544
Notes payable	953,575	951,517
Deposits	23,446	22,760
Lease liabilities – operating lease	11,754	17,511
Total liabilities	<u>1,537,975</u>	<u>1,627,745</u>
Net Assets		
Without donor restrictions:		
Undesignated	2,457,830	2,569,986
Board-designated	569,253	508,751
Total without donor restrictions	3,027,083	3,078,737
With donor restrictions	145,368	90,885
Total net assets	<u>3,172,451</u>	<u>3,169,622</u>
Total liabilities and net assets	<u>\$ 4,710,426</u>	<u>\$ 4,797,367</u>

See accompanying notes.

PathForward, Inc. and Affiliate

Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,381,452	\$ 132,478	\$ 1,513,930
Federal grants	1,867,334	-	1,867,334
Contract services	2,534,443	-	2,534,443
In-kind contributions	309,234	-	309,234
Rental income	130,285	-	130,285
Investment return, net	148,401	-	148,401
Other income	18,457	-	18,457
Released from restrictions	77,995	(77,995)	-
Total revenue and support	6,467,601	54,483	6,522,084
Expenses			
Program services:			
Permanent Supportive Housing	2,034,050	-	2,034,050
Homeless Services Center	2,482,955	-	2,482,955
Other housing	355,176	-	355,176
Medical	83,294	-	83,294
Sibert House	244,906	-	244,906
Total program services	5,200,381	-	5,200,381
Supporting services:			
Management and general	576,544	-	576,544
Fundraising	742,330	-	742,330
Total supporting services	1,318,874	-	1,318,874
Total expenses	6,519,255	-	6,519,255
Change in Net Assets	(51,654)	54,483	2,829
Net Assets, beginning of year	3,078,737	90,885	3,169,622
Net Assets, end of year	<u>\$ 3,027,083</u>	<u>\$ 145,368</u>	<u>\$ 3,172,451</u>

See accompanying notes.

PathForward, Inc. and Affiliate

Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,267,402	\$ 95,925	\$ 1,363,327
Federal grants	2,224,666	-	2,224,666
Contract services	2,053,145	-	2,053,145
In-kind contributions	255,305	-	255,305
Rental income	134,597	-	134,597
Investment return, net	92,548	-	92,548
Employee Retention Credit	216,566	-	216,566
Other income	115,384	-	115,384
Released from restrictions	658,488	(658,488)	-
Total revenue and support	7,018,101	(562,563)	6,455,538
Expenses			
Program services:			
Permanent Supportive Housing	1,776,042	-	1,776,042
Homeless Services Center	2,021,523	-	2,021,523
Other housing	696,028	-	696,028
Medical	43,616	-	43,616
Sibert House	247,182	-	247,182
Total program services	4,784,391	-	4,784,391
Supporting services:			
Management and general	797,747	-	797,747
Fundraising	486,437	-	486,437
Total supporting services	1,284,184	-	1,284,184
Total expenses	6,068,575	-	6,068,575
Change in Net Assets	949,526	(562,563)	386,963
Net Assets, beginning of year	2,129,211	653,448	2,782,659
Net Assets, end of year	\$ 3,078,737	\$ 90,885	\$ 3,169,622

See accompanying notes.

PathForward, Inc. and Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services						Supporting Services			Total
	Permanent Supportive Housing	Homeless Services Center	Other Housing	Medical	Sibert House	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 639,584	\$ 1,841,047	\$ 171,348	\$ 69,954	\$ 37,768	\$ 2,759,701	\$ 116,962	\$ 451,829	\$ 568,791	\$ 3,328,492
Supplies and food	4,123	116,007	-	155	2,377	122,662	421	-	421	123,083
Professional fees	22,804	19,497	1,824	738	29,992	74,855	313,387	146,691	460,078	534,933
Supportive services	1,351,479	183,397	177,679	9,355	8,784	1,730,694	2,876	28	2,904	1,733,598
Depreciation	-	-	-	-	34,584	34,584	6,224	-	6,224	40,808
Insurance	10,915	31,555	2,952	1,195	2,954	49,571	1,868	7,715	9,583	59,154
Telephone	-	-	-	-	2,989	2,989	5,588	-	5,588	8,577
Printing	-	-	-	-	-	-	10,127	-	10,127	10,127
Marketing	-	-	-	-	-	-	1,322	87,049	88,371	88,371
Repairs and maintenance	-	13,287	-	-	60,791	74,078	284	-	284	74,362
Postage	68	-	-	-	-	68	140	1,083	1,223	1,291
Dues and subscriptions	-	-	-	180	-	180	1,869	1,297	3,166	3,346
Taxes and licenses	-	-	-	-	14,456	14,456	3,771	-	3,771	18,227
Interest	-	-	-	-	47,244	47,244	11	-	11	47,255
Office expense	5,077	15,831	1,373	1,717	2,967	26,965	64,794	46,638	111,432	138,397
In-kind rent	-	106,656	-	-	-	106,656	-	-	-	106,656
In-kind services	-	-	-	-	-	-	46,900	-	46,900	46,900
In-kind goods	-	155,678	-	-	-	155,678	-	-	-	155,678
Total Expenses	\$ 2,034,050	\$ 2,482,955	\$ 355,176	\$ 83,294	\$ 244,906	\$ 5,200,381	\$ 576,544	\$ 742,330	\$ 1,318,874	\$ 6,519,255

See accompanying notes.

PathForward, Inc. and Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services						Supporting Services			
	Permanent Supportive Housing	Homeless Services Center	Other Housing	Medical	Sibert House	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$ 585,302	\$ 1,389,708	\$ 249,806	\$ 38,193	\$ 40,155	\$ 2,303,164	\$ 363,179	\$ 333,577	\$ 696,756	\$ 2,999,920
Supplies and food	-	107,234	-	89	-	107,323	26	1,071	1,097	108,420
Professional fees	22,715	23,853	3,330	519	32,008	82,425	289,521	39,018	328,539	410,964
Supportive services	1,144,342	235,348	433,156	2,895	19,044	1,834,785	1,560	663	2,223	1,837,008
Depreciation	1,392	3,996	822	-	32,565	38,775	676	864	1,540	40,315
Insurance	16,954	40,167	7,132	1,112	2,202	67,567	11,630	9,618	21,248	88,815
Telephone	-	1,097	-	-	3,043	4,140	4,197	-	4,197	8,337
Printing	-	490	-	-	-	490	12,270	300	12,570	13,060
Marketing	-	-	-	-	-	-	1,151	69,073	70,224	70,224
Repairs and maintenance	1,100	13,110	-	-	14,695	28,905	-	-	-	28,905
Postage	-	-	-	-	-	-	1,027	81	1,108	1,108
Dues and subscriptions	-	80	-	275	-	355	3,161	1,193	4,354	4,709
Taxes and licenses	-	-	-	-	13,760	13,760	3,807	-	3,807	17,567
Interest	-	-	-	-	79,550	79,550	493	-	493	80,043
Office expense	4,237	14,561	1,782	533	10,160	31,273	41,623	30,979	72,602	103,875
In-kind rent	-	106,656	-	-	-	106,656	-	-	-	106,656
In-kind services	-	-	-	-	-	-	63,426	-	63,426	63,426
In-kind goods	-	85,223	-	-	-	85,223	-	-	-	85,223
Total Expenses	\$ 1,776,042	\$ 2,021,523	\$ 696,028	\$ 43,616	\$ 247,182	\$ 4,784,391	\$ 797,747	\$ 486,437	\$ 1,284,184	\$ 6,068,575

See accompanying notes.

PathForward, Inc. and Affiliate

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 2,829	\$ 386,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized gain on investments	(105,515)	(59,244)
Change in allowance for doubtful receivables	(1,000)	(2,000)
Depreciation	40,808	40,315
Amortization of right-of-use assets – operating lease	5,757	5,679
Amortization of deferred financing costs	2,520	5,176
Forgiveness of loan	-	(105,000)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	1,000	8,821
Contributions and grants receivable	555,212	(425,071)
Prepaid expenses and other assets	(24,427)	(8,121)
Increase (decrease) in:		
Accounts payable and accrued expenses	109,094	42,611
Refundable advances	(187,307)	141,899
Deferred revenue	(8,544)	562
Deposits	686	226
Lease liabilities – operating lease	(5,757)	(5,679)
Net cash provided by operating activities	<u>385,356</u>	<u>27,137</u>
Cash Flows from Investing Activities		
Purchases of investments	(83,857)	(154,906)
Proceeds from sale of investments	58,675	128,089
Purchases of property and equipment	<u>(30,083)</u>	<u>(1,020)</u>
Net cash used in investing activities	<u>(55,265)</u>	<u>(27,837)</u>
Cash Flows from Financing Activities		
Principal payments on notes payable	(462)	(1,191,797)
Proceeds from notes payable	<u>-</u>	<u>802,708</u>
Net cash used in financing activities	<u>(462)</u>	<u>(389,089)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	329,629	(389,789)
Cash and Cash Equivalents, beginning of year	<u>1,116,385</u>	<u>1,506,174</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,446,014</u></u>	<u><u>\$ 1,116,385</u></u>
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 47,255</u>	<u>\$ 80,043</u>
Donated capitalized property and equipment	<u>\$ -</u>	<u>\$ 104,823</u>
Non-Cash Transactions Arising from ASC 842 Adoption:		
Establishment of right-of-use assets – operating lease	<u>\$ -</u>	<u>\$ 23,190</u>
Establishment of lease liabilities – operating lease	<u><u>\$ -</u></u>	<u><u>\$ 23,190</u></u>

See accompanying notes.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

1. Nature of Operations

PathForward, Inc.'s ("PathForward") (formerly known as Arlington Street People's Assistance Network-ASPAN) mission is to transform lives by delivering housing solutions and pathways to stability. To accomplish this goal, PathForward offers wrap-around services to homeless individuals who are working toward gaining stability, whatever that may mean for them. During 2015, PathForward transitioned to a year-round Homeless Services Center (HSC). This innovative and unique center allows PathForward to offer the majority of its services under one roof, effectively shortening the length of time it takes a client to get into a more stable situation, and to possibly move them into housing.

In addition to housing services, PathForward continues to provide a range of emergency services to help clients work toward housing. These services are offered through the HSC Day Program and Shelter Program, and include laundry, clothing, showers, food, case management, and nursing services. The year-round center further enhances PathForward's programs by ensuring the close contact that the case managers need with clients to assist them with such things as getting identification, applying for social security benefits, and getting access to expanded services.

Finally, PathForward will continue to maintain contact with homeless clients living on the streets outside of the new center. PathForward's Outreach Team workers seek out people living on the streets, in the woods, or other locations unfit for human habitation, and distribute items such as clothing, blankets, bottled water, personal hygiene items, and medical kits. The provision of these items helps staff build relationships with clients over time, and then helps them access higher-level services.

During 2016, PathForward organized a single-member limited liability company, Sibert House, LLC ("Sibert House") (formerly known as Opportunity Housing, LLC) under the laws of the Commonwealth of Virginia. The purpose of Sibert House is to assist PathForward with seeking and acquiring permanent housing investment properties in the future, should opportunities arise. PathForward is the sole member of Sibert House. During 2019, Sibert House purchased real estate property in Arlington, Virginia, which has the capacity to house eight individuals who do not otherwise qualify for government subsidies.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies

Principles of Consolidation

Consolidated financial statements are presented due to PathForward's controlling financial interest in Sibert House. All intercompany balances and significant transactions have been eliminated in consolidation. Except when referred to separately, all entities are collectively referred to as "the Organization" throughout the accompanying consolidated financial statements and related notes.

Basis of Accounting and Presentation

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions also include the Board-designated fund.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held for investment.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses, net of investment management fees, are reported in net investment return in the accompanying consolidated statements of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

Contributions and Grants Receivable

Contributions receivable represent unconditional amounts committed to the Organization. Grants receivable consist of amounts due to be reimbursed to the Organization for expenses incurred under grant agreements with federal and local government agencies. Contributions and grants receivable are reflected at either net realizable value, or at net present value based on projected cash flows. The entire amount is expected to be collected within one year, and is recorded at net realizable value. No allowance for doubtful accounts is recorded, as management believes that all contributions and grants receivables are fully collectible.

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to 30 years. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

Operating Lease

The Organization determines if an arrangement is a lease at inception. Operating lease is included in right-of-use (ROU) assets, which 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. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Operating Lease (continued)

The ROU assets also include any lease payments made and exclude lease incentives. The Organization's 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 lease payments is recognized on a straight-line basis over the lease term.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

The Organization recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, 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 substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying consolidated statements of financial position. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying consolidated statements of financial position.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Specifically, for the various types of contracts, the Organization recognizes revenue as follows:

Contract services revenues are generated from federal and local government agencies and are generally cost reimbursement arrangements where revenue is recognized at the time costs are incurred, which is when the sole performance obligation is satisfied.

Rental income is recognized at a point in time when a monthly performance obligation is transferred to the subtenants. Amounts received in advance are reported in deferred revenue in the accompanying consolidated statements of financial position and totaled \$0 and \$8,544 for the years ended June 30, 2024 and 2023, respectively.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying consolidated statements of activities as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 22, 2025, the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at June 30:

	2024	2023
Cash and cash equivalents	\$ 1,446,014	\$ 1,116,385
Investments	1,384,412	1,253,715
Contributions and grants receivable	136,590	691,802
Total financial assets	2,967,016	3,061,902
Less: Board-designated fund	(569,253)	(508,751)
Less: restricted by donors	(145,368)	(90,885)
Total available for general expenditures	\$ 2,252,395	\$ 2,462,266

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

3. Liquidity and Availability (continued)

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of this liquidity management, the Organization invests cash and cash equivalents in excess of daily requirements in various investments including money market funds, stocks, and mutual funds. As described in Note 9 to the consolidated financial statements, the Organization also has a committed line of credit available in the amount of \$150,000, which it could draw upon in the event of an unanticipated liquidity need. There was no outstanding balance on this line of credit at both June 30, 2024 and 2023.

The Board-designated funds are not subject to an annual spending rate. However, those amounts could be made available through Board approval if necessary.

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

During the years ended June 30, 2024 and 2023, 67% and 66%, respectively, of the Organization's revenue and support was provided by the government of Arlington County, Commonwealth of Virginia, and the U.S. Department of Housing and Urban Development. Government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred.

Reduction in these grants will also reduce the corresponding expenses. Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations. It is expected that support received from these agencies will continue since such funding sources have been historically stable for many years.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

5. Investments and Fair Value Measurements

The Organization follows Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30:

	Level 1	Level 2	Level 3	Total
<u>2024:</u>				
Stocks, options, and ETFs	\$ 1,332,386	\$ -	\$ -	\$ 1,332,386
Money market funds	52,026	-	-	52,026
Total investments	<u>\$ 1,384,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,384,412</u>
<u>2023:</u>				
Stocks, options, and ETFs	\$ 1,220,136	\$ -	\$ -	\$ 1,220,136
Money market funds	33,579	-	-	33,579
Total investments	<u>\$ 1,253,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,715</u>

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

5. Investments and Fair Value Measurements (continued)

Net investment return consists of the following for the years ended June 30:

	2024	2023
Interest and dividends	\$ 52,603	\$ 42,092
Net unrealized and realized gain	105,515	59,244
Less: investment management fees	(9,717)	(8,788)
Total investment return, net	<u>\$ 148,401</u>	<u>\$ 92,548</u>

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2024	2023
Land	\$ 807,773	\$ 807,773
Building and building improvements	940,270	912,049
Vehicles	127,882	127,882
Computer equipment	28,025	28,025
Office furniture and equipment	28,165	26,305
Total property and equipment	1,932,115	1,902,034
Less: accumulated depreciation	(326,705)	(285,899)
Property and equipment, net	<u>\$ 1,605,410</u>	<u>\$ 1,616,135</u>

7. Notes Payable

On March 8, 2019, Sibert House purchased real estate property in Arlington, Virginia at a gross sale price of \$1,560,000. The acquisition of this real estate property was financed by multiple promissory notes. There were certain financial and nonfinancial covenants required under these note agreements. The Organization was in compliance with the debt covenants at both June 30, 2024 and 2023.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

7. Notes Payable (continued)

The Organization had the following notes payable at June 30:

	2024	2023
The National Capital Bank of Washington – Original note of \$802,708; obtained on March 24, 2023; interest only payments due in annual installments of \$36,121; fixed interest rate at 4.5%; 5-year term; principal is due in full on April 24, 2028	\$ 802,708	\$ 802,708
Westover Place XV LLC – Original note of \$160,000; obtained on March 8, 2019; interest only payments due in annual installments of \$8,000; principal payments of \$40,000 due in 5-year intervals starting February 28, 2034; fixed interest rate at 5%; 30-year term; matures on February 28, 2049	160,000	160,000
Car Note – Original note of \$10,506; obtained on November 17, 2017; monthly payments of principal and interest of \$164 fixed interest rate at 3.90%; 6-year term; matured on November 17, 2023	-	462
Deferred financing costs of \$12,598; amortized over 5 years	(9,133)	(11,653)
Total notes payable	<u>\$ 953,575</u>	<u>\$ 951,517</u>

The related interest expense for the years ended June 30, 2024 and 2023 was \$47,255 and \$80,043, respectively.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

7. Notes Payable (continued)

Future principal payments under these notes are as follows at June 30:

2025	\$	-
2026		-
2027		-
2028		802,708
2029		-
Thereafter		<u>160,000</u>
Total notes payable		962,708
Less: unamortized debt issuance costs		<u>(9,133)</u>
Total future principal payments	\$	<u><u>953,575</u></u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Program restricted:		
Mobile Medical Unit	\$ 125,368	\$ 90,885
Homeless Services Center	<u>20,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 145,368</u>	<u>\$ 90,885</u>

9. Line of Credit

The Organization maintains a \$150,000 revolving line of credit to finance short-term working capital needs. Borrowings under this facility are payable on demand, and are secured by a security interest in the Organization's assets. The line of credit requires payments of interest on a monthly basis equal to the prime rate listed in the *Wall Street Journal*, plus 1.00%, but not less than 4.5%, which totaled 8.00% and 8.50% at June 30, 2024 and 2023, respectively. There was no outstanding balance as of June 30, 2024 and 2023.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

10. Commitment and Contingencies

Operating Lease

The Organization maintains a lease agreement for a copier, which commenced on June 30, 2021, and is set to expire on June 30, 2026.

Supplemental qualitative information related to the copier lease is as follows as of, and for the years ended June 30:

	2024	2023
Operating lease costs	\$ 5,961	\$ 5,961
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$ 5,757	\$ 5,679
Remaining lease term (in years)	2.0	3.0
Discount rate	1.37%	1.37%

Maturities of lease liabilities are as follows for the years ending June 30:

2025	\$ 5,961
2026	5,961
Total minimum lease payments	11,922
Less: discount to present value at 1.37%	(168)
Present value of operating lease liabilities	\$ 11,754

Homeless Services Center Contract

On October 1, 2015, the Organization moved into an office space in Arlington, Virginia as part of the Homeless Services Center contract with Arlington County. The contract was effective May 1, 2015 and was initially set to expire on June 30, 2018, and later extended to January 31, 2025. As part of the contract, the Organization is provided with donated office space by Arlington County as described in Note 12 to the consolidated financial statements.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

10. Commitment and Contingencies (continued)

Federal Cooperative and Grant Agreements

Funds received from federal and local government agencies are subject to audit under the provisions of these grant agreements. The ultimate determination of amounts received under these grant agreements is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

11. Retirement Plan

PathForward maintains a 403(b) Employer Contributory Plan under which all employees who work more than 20 hours per week may participate. Additionally, eligible employees who have completed six months of service may receive employer discretionary matching contributions. PathForward made contributions to the plan totaling \$69,120 and \$71,230 for the years ended June 30, 2024 and 2023, respectively, which are included in salaries and related expenses in the accompanying consolidated statements of functional expenses.

12. In-Kind Contributions

The Organization receives in-kind contributions in the form of donated services, goods, and use of facilities. In-kind contributions are valued at comparable market rates.

Donated Services

Contributions of services are recognized when services (a) create or enhance nonfinancial assets, or (b) require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services principally consist of legal, accounting, consulting, and other specialized services, and totaled \$46,900 and \$63,426 for the years ended June 30, 2024 and 2023, respectively.

In addition, a substantial number of volunteers have donated significant amounts of time to the Organization and its programs; however, these donated services are not reflected in the consolidated financial statements as the services do not meet the criteria for recognition as contributed services.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

12. In-Kind Contributions (continued)

Donated Goods

The Organization has recorded \$155,678 and \$85,223 of donated goods for the years ended June 30, 2024 and 2023, respectively, under in-kind contributions in the accompanying consolidated statements of activities. Donated goods consist primarily of clothing, supplies, and food.

Donated Facilities

The Organization has recorded the estimated fair value of donated office space in the amount of \$106,656 for both years ended June 30, 2024 and 2023, which is included under in-kind contributions in the accompanying consolidated statements of activities.

13. Allocation of Expenses from Management and General Activities

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are recorded directly to specific programs and functions, using the direct allocation method. Expenses that are allocated include salaries and related expenses, and depreciation, which are allocated on the basis of estimates of time and effort.

14. Employee Retention Credit

The Employee Retention Credit (ERC) was established by the CARES Act in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The CARES Act did not allow businesses that received Paycheck Protection Program (PPP) loans to also claim the ERC, but the Consolidated Appropriations Act, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERC.

The Organization received total credits of \$216,566 during the year ended June 30, 2023, which is shown as employee retention credit in the accompanying consolidated statement of activities for the year then ended.

PathForward, Inc. and Affiliate

Notes to Consolidated Financial Statements June 30, 2024 and 2023

14. Employee Retention Credit (continued)

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

15. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, PathForward is exempt from the payment of taxes on income other than net unrelated business income. No provisions for income tax are required for the years ended June 30, 2024 and 2023, as PathForward had no net unrelated business income. Management has reviewed all open tax years for all tax jurisdictions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

SUPPLEMENTARY INFORMATION

PathForward, Inc. and Affiliate

Consolidating Schedule of Financial Position
June 30, 2024

	PathForward	Sibert House	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 1,389,979	\$ 56,035	\$ -	\$ 1,446,014
Investments	1,384,412	-	-	1,384,412
Contributions and grants receivable	136,590	-	-	136,590
Due from Sibert House	39,434	-	(39,434)	-
Prepaid expenses and other assets	125,638	608	-	126,246
Property and equipment, net	6,173	1,599,237	-	1,605,410
Right-of-use assets – operating lease	11,754	-	-	11,754
Investment in Sibert House	671,114	-	(671,114)	-
Total assets	\$ 3,765,094	\$ 1,655,880	\$ (710,548)	\$ 4,710,426
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 370,970	\$ -	\$ -	\$ 370,970
Due to PathForward	-	39,434	(39,434)	-
Refundable advances	178,230	-	-	178,230
Notes payable	-	953,575	-	953,575
Deposits	-	23,446	-	23,446
Lease liabilities – operating lease	11,754	-	-	11,754
Investment from PathForward	-	671,114	(671,114)	-
Total liabilities	560,954	1,687,569	(710,548)	1,537,975
Net Assets (Deficit)				
Without donor restrictions:				
Undesignated	2,492,316	(34,486)	-	2,457,830
Board-designated	566,456	2,797	-	569,253
Total without donor restrictions	3,058,772	(31,689)	-	3,027,083
With donor restrictions	145,368	-	-	145,368
Total net assets (deficit)	3,204,140	(31,689)	-	3,172,451
Total liabilities and net assets (deficit)	\$ 3,765,094	\$ 1,655,880	\$ (710,548)	\$ 4,710,426

PathForward, Inc. and Affiliate

Consolidating Schedule of Activities
For the Year Ended June 30, 2024

	PathForward	Sibert House	Eliminations	Total
Revenue and Support				
Contributions	\$ 1,513,930	\$ -	\$ -	\$ 1,513,930
Federal grants	1,867,334	-	-	1,867,334
Contract services	2,534,443	-	-	2,534,443
In-kind contributions	309,234	65,498	(65,498)	309,234
Rental income	-	130,285	-	130,285
Investment return, net	148,364	37	-	148,401
Other income	17,657	800	-	18,457
Total revenue and support	6,390,962	196,620	(65,498)	6,522,084
Expenses				
Program services:				
Permanent Supportive Housing	2,034,050	-	-	2,034,050
Homeless Services Center	2,482,955	-	-	2,482,955
Other housing	355,176	-	-	355,176
Medical	83,294	-	-	83,294
Sibert House	-	244,906	-	244,906
Total program services	4,955,475	244,906	-	5,200,381
Supporting services:				
Management and general	642,042	-	(65,498)	576,544
Fundraising	742,330	-	-	742,330
Total supporting services	1,384,372	-	(65,498)	1,318,874
Total expenses	6,339,847	244,906	(65,498)	6,519,255
Change in Net Assets	51,115	(48,286)	-	2,829
Net Assets, beginning of year	3,153,025	16,597	-	3,169,622
Net Assets (Deficit), end of year	\$ 3,204,140	\$ (31,689)	\$ -	\$ 3,172,451

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
PathForward, Inc. and Affiliate

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 consolidated financial statements of PathForward, Inc. and Affiliate (collectively, “the Organization”), which comprise the consolidated statement of financial position as of June 30, 2024; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements, and have issued our report thereon dated January 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 consolidated 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.

Report on Internal Control over Financial Reporting (continued)

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "&" symbol integrated into the flow of the text.

Vienna, Virginia
January 22, 2025

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors of
PathForward, Inc. and Affiliate

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited PathForward, Inc. and Affiliate’s (collectively, “the Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2024. The Organization’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "&" symbol being clearly visible.

Vienna, Virginia
January 22, 2025

PathForward, Inc. and Affiliate

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development				
<u>Direct Awards:</u>				
Continuum of Care Program – InRoads	14.267	n/a	\$ -	\$ 528,421
Continuum of Care Program – Turning Keys	14.267	n/a	-	610,353
Continuum of Care Program – Homebound	14.267	n/a	-	431,985
Continuum of Care Program – Homeward	14.267	n/a	-	214,167
Continuum of Care Program – Special NOFO	14.267	n/a	-	29,228
Total ALN 14.267			-	1,814,154
Community Development Block Grant	14.218	n/a	-	20,000
<u>Pass-Through from Virginia Department of Housing and Community Development:</u>				
Emergency Solutions Grant Program	14.231	23-VHSP-021	-	27,635
Emergency Solutions Grant Program	14.231	20-CHERP-021	-	5,545
Total ALN 14.231			-	33,180
Total Expenditures of Federal Awards			\$ -	\$ 1,867,334

See accompanying notes to the schedule of expenditures of federal awards.

PathForward, Inc. and Affiliate

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under the programs of the federal government for the year ended June 30, 2024. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

PathForward, Inc. and Affiliate

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to consolidated financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

PathForward, Inc. and Affiliate

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2024

Section II – Findings – Consolidated Financial Statement Audit

There were no consolidated financial statement findings reported during the 2024 audit.

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings or questioned costs over major federal awards reported during the 2024 audit.

PathForward, Inc. and Affiliate

Corrective Action Plan
For the Year Ended June 30, 2024

There were no findings for the year ended June 30, 2024, and therefore, a corrective action plan was not needed.

PathForward, Inc. and Affiliate

Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

There were no findings or questioned costs reported for the June 30, 2023 audit.