

**ACTION PATHWAYS, INC.**

FAYETTEVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS, SUPPLEMENTAL  
INFORMATION, OTHER DATA, AND  
COMPLIANCE SECTION

*As of and for the Year Ended December 31, 2019  
(With Comparative Totals for December 31, 2018)*

*And Report of Independent Auditor*

# ACTION PATHWAYS, INC.

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## Report of Independent Auditor

To the Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

We have audited the accompanying financial statements of Action Pathways, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. GAAP.

## **Report on Summarized Comparative Information**

We previously audited the Organization's 2018 financial statements, and our report dated June 17, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Emphasis of Matter**

As discussed in Note 11 to the financial statements, in January 2020 the World Health Organization declared COVID-19 to constitute a "public health emergency of international concern". Given the uncertainty of the situation and duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplemental information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The schedule of expenditures of federal and state awards and the supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The other data as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020, on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Cherry Bekart LLP*

Fayetteville, North Carolina  
June 18, 2020

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FINANCIAL POSITION**

*DECEMBER 31, 2019*  
*(WITH COMPARATIVE TOTALS FOR 2018)*

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 1,024,063	\$ 1,705,985
Investments	851,310	719,637
Accounts receivable	325,348	332,998
Grants receivable	3,417,451	1,732,505
Inventories	4,107	4,107
Prepaid expenses	116,633	128,576
Security deposits	7,707	7,707
Total Current Assets	<u>5,746,619</u>	<u>4,631,515</u>
Property and equipment, net	<u>6,370,885</u>	<u>5,703,648</u>
<b>Total Assets</b>	<u><u>\$ 12,117,504</u></u>	<u><u>\$ 10,335,163</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 107,000	\$ 101,737
Accounts payable	1,156,520	416,021
Accrued salaries	189,577	155,432
Accrued vacation	206,747	247,832
Grant refunds payable	127,218	126,621
Deferred revenue	90,896	169,604
Total Current Liabilities	<u>1,877,958</u>	<u>1,217,247</u>
Long-Term Liabilities:		
Noncurrent portion of long-term debt	<u>662,377</u>	<u>776,873</u>
Total Liabilities	<u>2,540,335</u>	<u>1,994,120</u>
Net Assets:		
Without donor restrictions	9,452,527	8,189,843
With donor restrictions	<u>124,642</u>	<u>151,200</u>
Total Net Assets	<u>9,577,169</u>	<u>8,341,043</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 12,117,504</u></u>	<u><u>\$ 10,335,163</u></u>

**ACTION PATHWAYS, INC.****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Public Support and Revenues:				
Contributions	\$ 593,386	\$ -	\$ 593,386	\$ 1,232,839
Federal financial assistance	11,889,753	2,849,926	14,739,679	13,793,021
State financial assistance	1,032,617	-	1,032,617	1,511,265
Local grants	37,754	-	37,754	51,045
Other grants	439,905	-	439,905	351,294
Donated services, materials, and space	1,380,675	-	1,380,675	1,477,740
Program fees and other	657,286	-	657,286	607,624
Contract services	1,267,092	-	1,267,092	1,002,352
Rent	38,568	-	38,568	42,716
Investment income (loss)	142,209	-	142,209	(59,254)
Interfund charges	1,365,409	-	1,365,409	1,281,665
Total Public Support and Revenues	18,844,654	2,849,926	21,694,580	21,292,307
Net Assets Released from Restrictions:				
Satisfaction of program restrictions:				
Community Services	685,776	(685,776)	-	-
Low Income Housing	2,190,708	(2,190,708)	-	-
Total Net Assets Released	2,876,484	(2,876,484)	-	-
Total Public Support and Revenue	21,721,138	(26,558)	21,694,580	21,292,307
Expenses:				
Program Services:				
Early Childhood Development	13,514,139	-	13,514,139	13,059,926
Community Services	2,861,670	-	2,861,670	3,119,325
Low Income Housing	2,665,888	-	2,665,888	2,784,480
Total Program Services	19,041,697	-	19,041,697	18,963,731
Supporting Services:				
Management and Administration	1,416,757	-	1,416,757	1,385,440
Total Supporting Services	1,416,757	-	1,416,757	1,385,440
Total Expenses	20,458,454	-	20,458,454	20,349,171
Increase (decrease) in net assets	1,262,684	(26,558)	1,236,126	943,136
Net assets, beginning of year	8,189,843	151,200	8,341,043	7,397,907
Net assets, end of year	\$ 9,452,527	\$ 124,642	\$ 9,577,169	\$ 8,341,043

The accompanying notes to the financial statements are an integral part of these statements.

**ACTION PATHWAYS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2019*  
*(WITH COMPARATIVE TOTALS FOR 2018)*

	Program Services			Supporting Services		
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	2019	2018
Expenditures:						
Salaries and wages	\$ 5,319,997	\$ 698,517	\$ 365,205	\$ 778,095	\$ 7,161,814	\$ 7,187,462
Employee taxes and benefits	2,070,215	224,272	110,894	206,667	2,612,048	2,580,351
Travel	82,454	17,604	32,146	21,888	154,092	145,012
Property and equipment	5,729	6,897	-	10,986	23,612	17,008
Mortgage payments	19,464	17,547	-	1,230	38,241	43,149
Supplies	332,934	61,110	18,198	29,783	442,025	465,887
Contractual	1,082,105	141,389	751,237	106,700	2,081,431	1,911,397
Communications	220,343	76,681	16,356	23,582	336,962	373,948
Leases	157,898	57,409	30,458	11,065	256,830	337,853
Rentals	12,877	85,502	782	5,908	105,069	34,720
Insurance	43,974	24,525	15,007	17,900	101,406	134,912
Repairs and maintenance	289,460	76,331	54,026	63,011	482,828	392,528
Client assistance	-	299,571	1,091,752	-	1,391,323	1,331,567
Food purchases	638,042	518,751	-	1,007	1,157,800	1,286,606
Other	508,035	247,437	75,698	98,112	929,282	972,868
Depreciation	270,629	90,820	35,361	14,546	411,356	374,497
Local match	1,306,755	73,919	-	-	1,380,674	1,477,741
Loss on disposal of asset	-	-	-	26,277	26,277	-
Indirect	1,153,228	143,388	68,768	-	1,365,384	1,281,665
Total Expenditures	<u>\$ 13,514,139</u>	<u>\$ 2,861,670</u>	<u>\$ 2,665,888</u>	<u>\$ 1,416,757</u>	<u>\$ 20,458,454</u>	<u>\$ 20,349,171</u>

The accompanying notes to the financial statements are an integral part of these statements.



**ACTION PATHWAYS, INC.**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED DECEMBER 31, 2019*  
*(WITH COMPARATIVE TOTALS FOR 2018)*

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,236,126	\$ 943,136
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	411,356	374,497
Loss on disposal of fixed assets	26,277	-
Realized and unrealized (gain) loss on investments	(121,801)	75,629
(Increase) decrease in operating assets:		
Accounts receivable	7,650	54,305
Grants receivable	(1,686,014)	35,411
Inventories	-	2,611
Prepaid expenses	11,943	1,895
Increase (decrease) in operating liabilities:		
Accounts payable	743,224	(161,698)
Accrued salaries	33,139	23,892
Accrued vacation	(41,085)	2,643
Grant refunds payable	597	(16,073)
Deferred revenue	(78,708)	67,121
Net cash from operating activities	<u>542,704</u>	<u>1,403,369</u>
<b>Cash flows from investing activities:</b>		
Expended for property and equipment	(1,105,494)	(663,755)
Proceeds for sales of investments	684,523	329,433
Purchase of investments	(694,422)	(340,598)
Net cash from investing activities	<u>(1,115,393)</u>	<u>(674,920)</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(109,233)	(104,327)
Net cash from financing activities	<u>(109,233)</u>	<u>(104,327)</u>
Net (decrease) increase in cash	(681,922)	624,122
Cash, beginning of year	1,705,985	1,081,863
Cash, end of year	<u>\$ 1,024,063</u>	<u>\$ 1,705,985</u>
Supplemental disclosure of cash payments for interest	<u>\$ 38,241</u>	<u>\$ 42,812</u>

The accompanying notes to the financial statements are an integral part of these statements.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

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### **Note 1—Nature of operations**

Action Pathways, Inc. (the “Organization”) provides various types of aid to economically disadvantaged families in southeastern North Carolina. The Organization receives grant funds from various federal and state agencies. Some of the Organization’s functions include operating distribution centers for food through its food bank programs, providing credit counseling services, and weatherization assistance, as well as administering the Cumberland County Head Start Program.

### **Note 2—Summary of significant accounting policies**

*Basis of Accounting* – The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (“AICPA”) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as with and without donor restrictions.

*Net Assets Without Donor Restrictions* – These include net assets balances that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

*Net Assets With Donor Restrictions* – These include net assets balances that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature where by the donor has stipulated the funds be maintained in perpetuity.

*Contributions* – Unconditional contributions or support are recognized when pledged or awarded and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises or support are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions or grant awards restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

*Functional Expenses* – Expenses are allocated on a functional basis among the various programs. Expenses that can be identified with a specific program are allocated directly to that program according to the natural expense classification. Most expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort. All other expenses are allocated on a direct basis.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

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### **Note 2—Summary of significant accounting policies (continued)**

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP 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.

*Cash and Cash Equivalents* – For the purposes of the statement of financial position and the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

*Concentration of Risk* – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. At December 31, 2019, the collected balances at two financial institution exceeded FDIC coverage by a total of \$432,701.

The Organization’s main source of revenue is received from grant revenues paid by federal and state government agencies. Grant agreements are executed for grant years ending December 31 and June 30 with these agencies on an annual basis. The Organization does not expect, in any way, the support from these government agencies will be lost in the near term.

*Investments and Fair Value Measurements* – Investments are the only assets measured at fair value on a recurring basis (see Note 3). Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

*Level 1* – Quoted prices in active markets for identical assets.

*Level 2* – Quoted prices for similar assets in active or inactive markets, or inputs derived from observed market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

*Level 3* – Unobservable inputs that reflect managements’ assumptions and best estimates based on available data.

The Organization uses Level 1 and Level 2 measurements whenever possible, as they result in the most reliable measure of fair value.

*Allowance for Uncollectible Accounts* – The Organization provides an allowance for uncollectible accounts based on the allowance method using management’s judgment.

*Inventories* – Inventories consist of food and food supplies of the Head Start Program, TEFAP, and SNAP items of the Food Bank Program and are valued at cost. The Organization also maintains an inventory of donated items in its Food Bank Program. These are pass-through items which are not reflected in the financial statements.

*Donated Food* – The Organization is an affiliate of Feeding America operating as Second Harvest Food Bank of Southeast North Carolina. The Organization receives and distributes food commodities and receives a handling fee. No value has been placed on these commodities, or recorded on the financial statements, since the Organization is not the controlling Organization.

# ACTION PATHWAYS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

### Note 2—Summary of significant accounting policies (continued)

During the year ended December 31, 2019, the Second Harvest Food Bank of Southeast North Carolina received approximately 14,372,813 pounds of donated food and distributed approximately 13,212,413 pounds of the donated food to member agencies. The donated food was valued at \$1.62 per pound and, therefore, amounts to \$23,283,147 received and \$21,404,109 distributed during the year. Of the \$21,404,109 distributed, \$5,586,398 was related to food commodities granted by the U.S. Department of Agriculture and passed through the N.C. Department of Agriculture, as shown in the schedule expenditures of federal and state awards.

*Property and Equipment* – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Property and equipment are capitalized on the books if each individual item is \$5,000 or more in value. Depreciation is computed using primarily the straight-line method. The following are the estimated useful lives of the respective assets:

<u>Description</u>	<u>Estimated Useful Lives</u>
Vehicles	5 – 10 Years
Equipment, furniture, and fixtures	5 – 10 Years
Buildings and improvements	10 – 40 Years

Property and equipment acquired by the Organization are considered to be owned by the Organization, except for the property acquired with various grant funds. Such property shall not be disposed of without written approval from the applicable grantor agency. Other funding sources may have a reversionary interest in the property, as well as the determination of use of any proceeds, from the sale of these assets.

Donated property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are recorded as support with donor restrictions when used to match grant requirements for local match. Otherwise, the donations are recorded as unrestricted support.

*Compensated Absences* – The Organization's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the Organization does not have an obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The vacation policies of the Organization provide for the accumulation of up to 360 hours earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

*Grants and Contracts* – Support received under grants and contracts is recorded as public support when the related grant award is determined to be due and is accounted for as with donor restrictions until grant restrictions are met. Management considers all amounts due under grants and contracts to be collectible.

*Donated Services* – The Organization records all Head Start and Volunteer Income Tax Assistance donated services on its financial records in accordance with grant matching requirements and maintenance of level of effort requirements. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at \$186,190 for Head Start for the year ended December 31, 2019 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 17,121 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2019. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at \$414,157 for the year ended December 31, 2019 were not recorded for financial statement purposes.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

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### **Note 2—Summary of significant accounting policies (continued)**

*Expense Allocation* – Management and general expenses are allocated to various programs based on an approved indirect cost allocation plan. The plan allocated these costs on the basis of direct labor costs including fringe benefits and donated services. The final rate for 2019, as determined by the Organization, is 14.5%.

*Deferred Revenue* – Deferred revenue represents money received, but not yet earned under its intended purpose in accordance with U.S. GAAP.

*Retirement Plan* – The Organization has a retirement plan covering all employees. The plan is a contributory retirement plan. All eligible employees can begin contributing on the date of hire. The Organization will match the employee contributions up to 5% of their gross salaries for all full-time employees who have at least 120 days of uninterrupted employment and who elect to participate. The Organization does not contribute for non-contributing employees. Total cost during the year ended December 31, 2019 was \$118,974.

*Advertising Costs* – The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2019 was approximately \$21,870.

*New Accounting Pronouncement* – On May 28 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The Organization adopted this standard and applied it retrospectively to all periods presented. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606. For the year ended December 31, 2019, the financial statements were not materially impacted by the adoption of ASC 606.

FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. For the year ended December 31, 2019, the financial statements were not materially impacted by the adoption of ASC 606.

*Upcoming Accounting Pronouncements* – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

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**Note 2—Summary of significant accounting policies (continued)**

**Summary of Programs Operated by the Organization**

- *Head Start, Early Head Start, Child Nutrition, and State Child Development Program* – These programs provide comprehensive early childhood development for disadvantaged preschool children and their families.
- *Community Services Block Grant Program* – This program is designed to provide self-sufficiency services and has a June 30 year-end.
- *Weatherization Program and Weatherization Helping Hand Fund* – These programs are designed to provide energy efficiency assistance to low income persons, particularly the elderly and handicapped. These programs are generally funded for periods ending June 30.
- *Consumer Credit Counseling Services* – This program provides financial literacy, credit, and housing counseling.
- *Home Investment Partnership Program* – This program is designed to expand the supply of decent and affordable housing, particularly rental housing, for low income individuals. Rental revenue is restricted to use in the fund for upkeep of the property or for acquisition of additional property.
- *Ways and Means* – This program acquired certain assets from funds that had been accumulated over past years from fundraising activities. Other programs are charged user fees based on the amount of usage of these assets. This fund provides services not covered by other programs to qualified low income families.
- *Heating and Air Replacement Program (“HARRP”)* – This program is designed to inspect and repair/replace heating or air conditioning systems of the residences of low income persons.
- *Second Harvest Food Bank of Southeast North Carolina (“SHFB”)* – This program receives and distributes food which, through a network of member agencies, reaches the hungry in seven North Carolina counties served by SHFB.
- *Duke Energy Helping Home Fund* – This program utilizes funds from Duke Energy’s Helping Home Fund for the benefit of Duke Energy’s low income electric customers for health and safety projects, weatherization projects, heating repair and replacement projects, and vendor payments.
- *Reentry* – This program is designed to assist formerly incarcerated individuals with a successful transition into their communities.

# ACTION PATHWAYS, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

### Note 3—Liquidity and availability

As of December 31, 2019, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets held at year-end:

Cash and cash equivalents	\$ 1,024,063
Investments	851,310
Accounts receivable	325,348
Grants receivable	3,417,451
	<u>5,618,172</u>
Less donor restrictions	<u>(124,642)</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 5,493,530</u>

The Organization has certain donor-restricted assets limited to use which are available for expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial asset to meet general expenditures within one year. The Organization has assets limited to use for donor-restricted purposes. These assets are not available for general expenditure within the next year.

### Note 4—Investments

Investments are measured at fair value in the statement of financial position based on quoted market prices or other observable inputs, as applicable. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 15,674	\$ -	\$ 15,674
Mutual funds	835,636	-	-	835,636
	<u>\$ 835,636</u>	<u>\$ 15,674</u>	<u>\$ -</u>	<u>\$ 851,310</u>

The Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. The Organization used the following ways to determine the fair value of its investments:

**Money Market Funds** – These investments are valued using \$1 for the unit value. The custodian establishes the market and quotes the price, on a daily basis, that is available to market participants. This valuation method is a market approach. As such, money market funds are classified within Level 2 of the valuation hierarchy.

**Mutual Funds** – Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date. The net asset value is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

**Note 5—Property and equipment**

Property and equipment activity for the year ended December 31, 2019 was as follows:

	<b>December 31, 2018</b>			<b>December 31, 2019</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balances</b>
By asset type:				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	2,682,216	195,102	384,994	2,492,324
Equipment, furniture, and fixtures	2,086,832	745,666	744,903	2,087,595
Buildings and improvements	6,410,000	164,726	45,577	6,529,149
	<u>11,688,780</u>	<u>1,105,494</u>	<u>1,175,474</u>	<u>11,618,800</u>
By functions:				
CCCS	51,805	-	17,400	34,405
Head Start	5,326,990	750,309	858,576	5,218,723
State Child Development Programs	2,978,728	7,931	147,973	2,838,686
USDA	12,166	-	-	12,166
CSBG	233,479	-	45,937	187,542
Family Self-Sufficiency	2,870	-	1,417	1,453
Early Head Start Partnership	73,120	-	22,000	51,120
Home Investment Partnership				
Program	674,060	-	1,912	672,148
Weatherization	63,081	3,179	9,491	56,769
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	1,442,518	344,075	22,313	1,764,280
Weatherization - ARRA	175,337	-	34,013	141,324
Corporate	634,126	-	14,442	619,684
	<u>11,688,780</u>	<u>1,105,494</u>	<u>1,175,474</u>	<u>11,618,800</u>
Accumulated depreciation	5,985,132	<u>\$ 411,356</u>	<u>\$ 1,148,573</u>	<u>5,247,915</u>
Net book value	<u>\$ 5,703,648</u>			<u>\$ 6,370,885</u>



**ACTION PATHWAYS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2019

**Note 6—Long-term debt**

Long-term debt at December 31, 2019 consisted of the following:

Note payable in monthly installments of \$6,698, including interest at 4.65% with the note maturing on June 19, 2025; secured by real property at 2009 Southern Avenue, Fayetteville, North Carolina.	\$ 379,308
Note payable in monthly installments of \$5,592, including interest at 5.75% with the note maturing on October 30, 2027; secured by a Food Distribution Center at 406 Deep Creek Road, Fayetteville, North Carolina.	390,069
	769,377
Less current portion	107,000
	<u>\$ 662,377</u>

Scheduled maturities of long-term debt, including the current portion are as follows:

<u>Years Ending December 31,</u>	<b>Food Distribution Center</b>	<b>Southern Avenue Mortgage</b>	<b>Total</b>
2020	\$ 43,637	\$ 63,363	\$ 107,000
2021	46,320	66,466	112,786
2022	49,094	69,668	118,762
2023	52,034	73,031	125,065
2024	55,112	76,529	131,641
Thereafter	143,872	30,251	174,123
	<u>\$ 390,069</u>	<u>\$ 379,308</u>	<u>\$ 769,377</u>

Interest expense for the year ended December 31, 2019 was approximately \$37,011.

**Note 7—Income taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. If the Organization had earned income for activities not directly related to the Organization's tax-exempt purpose, it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(1).

The Organization has evaluated the effect of U.S. GAAP guidance on Accounting for Uncertainty in Income Taxes. Management believes the Organization continues to satisfy the requirements of a tax-exempt organization and, therefore, had no uncertain income tax positions at December 31, 2019.

# **ACTION PATHWAYS, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2019*

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### **Note 8—Leases**

The Organization is committed under several noncancelable operating leases for office space, Head Start Centers, and various equipment and vehicles. Additionally, certain facilities and equipment are leased on a month to month basis. Lease expense for the year ended December 31, 2019 was \$256,830.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2019 are as follows:

#### **Years Ending December 31,**

2020	\$	37,130
2021		6,019
2022		3,021
	\$	<u>46,170</u>

### **Note 9—Net assets with donor restrictions**

Net assets at with donor restrictions at December 31, 2019 are available for the following purposes:

Early Childhood Development programs	\$	1,091
Community Services programs		90,669
Low Income Housing programs		32,882
	\$	<u>124,642</u>

### **Note 10—Contingencies**

The Organization receives funds from several federal and state grants, which are approximately 72% of total revenues. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Management believes any required refunds beyond what is already reserved will be immaterial. A provision of \$127,218 has been made in these financial statements for refund of grant monies.

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in the level of this support may have an adverse effect on the Organization's programs and activities.

### **Note 11—Subsequent events**

The Organization has evaluated subsequent events through June 18, 2020, the date on which the financial statements were available to be issued.

Toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. The extent to which COVID-19 may impact the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted.

## **SUPPLEMENTAL INFORMATION**

**ACTION PATHWAYS, INC.**
**COMBINING STATEMENT OF FINANCIAL POSITION – NON-U.S. GAAP**
**ALL PROGRAMS**
**DECEMBER 31, 2019**

	Program Services			Supporting Services			
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment	Eliminations	Total
<b>ASSETS</b>							
Current Assets:							
Cash	\$ 880,732	\$ 1,129,730	\$ 177,917	\$ 736,813	\$ -	\$ (1,901,129)	\$ 1,024,063
Investments	-	-	-	851,310	-	-	851,310
Accounts receivable	97,003	80,222	44,627	103,496	-	-	325,348
Grants receivable	2,745,534	411,508	260,409	-	-	-	3,417,451
Inventories	4,107	-	-	-	-	-	4,107
Prepaid expenses	72,748	15,585	9,153	19,147	-	-	116,633
Security deposits	2,000	4,812	838	57	-	-	7,707
Property and equipment	-	-	-	-	6,370,885	-	6,370,885
Other Assets:							
Due from other funds	10,260	38,970	-	30,391	-	(79,621)	-
<b>Total Assets</b>	<b>\$ 3,812,384</b>	<b>\$ 1,680,827</b>	<b>\$ 492,944</b>	<b>\$ 1,741,214</b>	<b>\$ 6,370,885</b>	<b>\$ (1,980,750)</b>	<b>\$ 12,117,504</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Temporary bank overdraft payable	\$ 1,709,505	\$ 53,117	\$ 138,507	\$ -	\$ -	\$ (1,901,129)	\$ -
Current portion of long-term debt	-	-	-	-	107,000	-	107,000
Accounts payable	904,225	110,034	61,562	80,699	-	-	1,156,520
Accrued salaries	145,283	12,627	9,723	21,944	-	-	189,577
Accrued vacation	112,180	28,064	24,016	42,487	-	-	206,747
Grant refunds payable	10,366	89,736	27,116	-	-	-	127,218
Deferred revenue	-	90,896	-	-	-	-	90,896
Long-Term Liabilities:							
Long-term debt	-	-	-	-	662,377	-	662,377
Due to other funds	-	38,970	40,651	-	-	(79,621)	-
<b>Total Liabilities</b>	<b>2,881,559</b>	<b>423,444</b>	<b>301,575</b>	<b>145,130</b>	<b>769,377</b>	<b>(1,980,750)</b>	<b>2,540,335</b>
Net Assets:							
Without donor restrictions	929,734	1,166,714	158,487	1,596,084	5,601,508	-	9,452,527
With donor restrictions	1,091	90,669	32,882	-	-	-	124,642
<b>Total Net Assets</b>	<b>930,825</b>	<b>1,257,383</b>	<b>191,369</b>	<b>1,596,084</b>	<b>5,601,508</b>	<b>-</b>	<b>9,577,169</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,812,384</b>	<b>\$ 1,680,827</b>	<b>\$ 492,944</b>	<b>\$ 1,741,214</b>	<b>\$ 6,370,885</b>	<b>\$ (1,980,750)</b>	<b>\$ 12,117,504</b>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP  
ALL PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
Public Support and Revenues:							
Contributions	\$ -	\$ 593,381	\$ -	\$ 5	\$ -	\$ -	\$ 593,386
Grant Assistance:							
Federal and Federal pass-through	11,889,753	659,218	2,190,708	-	-	-	14,739,679
State	-	1,032,617	-	-	-	-	1,032,617
Local	-	37,754	-	-	-	-	37,754
Other	-	439,905	-	-	-	-	439,905
Other Revenues:							
Program fees	68,413	461,771	3,848	-	-	-	534,032
Contract services	824,850	-	442,242	-	-	-	1,267,092
Rent	-	4,800	33,768	-	-	-	38,568
Indirect	-	25	-	1,365,384	-	-	1,365,409
Investment income	-	33	-	142,176	-	-	142,209
Realized gains on investments	-	-	-	-	-	-	-
Unrealized loss on investments	-	-	-	-	-	-	-
Donated products	-	-	-	-	-	-	-
Local match	1,492,946	73,919	-	-	-	(186,190)	1,380,675
Other	103,639	528	19,706	5	1,214,103	(1,214,727)	123,254
Total Public Support and Revenues	14,379,601	3,303,951	2,690,272	1,507,570	1,214,103	(1,400,917)	21,694,580
Expenditures:							
Salaries and wages	5,319,997	698,517	365,205	778,095	-	-	7,161,814
Employee taxes and benefits	2,070,215	224,272	110,894	206,667	-	-	2,612,048
Travel	82,454	17,604	32,146	21,888	-	-	154,092
Property and equipment	586,299	350,972	3,179	10,986	-	-	951,436
Mortgage payments	80,376	65,868	-	1,230	-	-	147,474
Supplies	332,934	61,110	18,198	29,783	-	-	442,025
Contractual	1,082,105	141,389	751,237	106,700	-	-	2,081,431
Communications	220,343	76,681	16,356	23,582	-	-	336,962
Leases	157,898	57,409	30,458	11,065	-	-	256,830
Rentals	12,877	85,502	782	5,908	-	-	105,069
Insurance	43,974	24,525	15,007	17,900	-	-	101,406

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP****(CONTINUED)****ALL PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
Expenditures (continued):							
Repairs and maintenance	\$ 467,129	\$ 76,331	\$ 54,026	\$ 63,011	\$ -	\$ -	\$ 660,497
Client assistance	-	299,571	1,091,752	-	-	-	1,391,323
Food purchases	638,042	518,751	-	1,007	-	-	1,157,800
Depreciation	-	-	-	-	411,356	(411,356)	-
Local match - noncash	1,492,946	73,919	-	-	-	(186,190)	1,380,675
Indirect	1,153,228	143,388	68,768	-	-	-	1,365,384
Other	508,035	247,437	75,698	98,112	-	-	929,282
Loss on disposal of assets	-	-	-	-	26,277	-	26,277
Total Expenditures	14,248,852	3,163,246	2,633,706	1,375,934	437,633	(597,546)	21,261,825
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Change in net assets before adjustments to convert to expenses to U.S. GAAP	130,749	140,705	56,566	131,636	776,470	(803,371)	432,755
Adjustments to Convert to Expenses to U.S. GAAP:							
Deduct property and equipment purchases	(758,240)	(344,075)	(3,179)	-	-	-	(1,105,494)
Deduct mortgage principal payments	(60,912)	(48,321)	-	-	-	-	(109,233)
Add depreciation expense	270,629	90,820	35,361	14,546	-	-	411,356
Total Expenses	13,700,329	2,861,670	2,665,888	1,390,480	437,633	(597,546)	20,458,454
Change in net assets after adjustments to convert to U.S. GAAP	\$ 679,272	\$ 442,281	\$ 24,384	\$ 117,090	\$ 776,470	\$ (803,371)	\$ 1,236,126

**ACTION PATHWAYS, INC.**
**COMBINING STATEMENT OF CASH FLOWS – NON-U.S. GAAP**
**ALL PROGRAMS**
**YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services			
	Early Childhood Development	Community Services	Low Income Housing	Management and Administrative	Property and Equipment	Eliminations	Total
<b>Cash flows from operating activities:</b>							
Change in net assets before adjustments to U.S. GAAP	\$ 130,749	\$ 140,705	\$ 56,566	\$ 131,636	\$ 776,470	\$ (803,371)	\$ 432,755
Adjustments to reconcile change in net assets from operating activities:							
Loss on disposal of fixed assets	-	-	-	-	26,277	-	26,277
Realized and unrealized loss on investments	-	-	-	(121,801)	-	-	(121,801)
(Increase) decrease in operating assets:							
Accounts receivable	95,834	(39,164)	(13,351)	(35,669)	-	-	7,650
Grants receivable	(1,527,656)	(242,032)	83,674	-	-	-	(1,686,014)
Prepaid expenses	11,714	(4,017)	(1,619)	5,865	-	-	11,943
Due from other funds	(2,598)	-	-	(30,391)	-	-	(32,989)
Increase (decrease) in operating liabilities:							
Temporary bank overdraft payable	800,607	20,799	(94,589)	-	-	(726,817)	-
Accounts payable	727,192	(33,104)	1,581	45,863	624	1,068	743,224
Accrued salaries	32,607	(3,756)	1,382	2,906	-	-	33,139
Accrued vacation	(27,388)	(8,577)	1,898	(7,018)	-	-	(41,085)
Grants refunds payable	-	597	-	-	-	-	597
Deferred revenue	-	(78,708)	-	-	-	-	(78,708)
Due to other funds	-	-	32,989	-	-	-	32,989
Net cash from operating activities	241,061	(247,257)	68,531	(8,609)	803,371	(1,529,120)	(672,023)
<b>Cash flows to investing activities:</b>							
Proceeds from sale of investments	-	-	-	684,523	-	-	684,523
Purchase of investments	-	-	-	(694,422)	-	-	(694,422)
Net cash to investing activities	-	-	-	(9,899)	-	-	(9,899)
Net change in cash before adjustments to U.S. GAAP	241,061	(247,257)	68,531	(18,508)	803,371	(1,529,120)	(681,922)
Adjustments to convert to expenses to U.S. GAAP:							
Deduct property and equipment purchases	-	-	-	-	(1,105,494)	1,105,494	-
Deduct mortgage principal payments	-	-	-	-	(109,233)	109,233	-
Add depreciation expense	-	-	-	-	411,356	(411,356)	-
Total Adjustments	-	-	-	-	(803,371)	803,371	-
Net change in cash	241,061	(247,257)	68,531	(18,508)	-	(725,749)	(681,922)
Cash, beginning of year	639,671	1,376,987	109,386	755,321	-	(1,175,380)	1,705,985
Cash, end of year	\$ 880,732	\$ 1,129,730	\$ 177,917	\$ 736,813	\$ -	\$ (1,901,129)	\$ 1,024,063

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF FINANCIAL POSITION – NON-U.S. GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***DECEMBER 31, 2019*

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ -	\$ -	\$ 880,732	\$ 880,732
Accounts receivable	33,506	6	6	63,485	97,003
Grants receivable	2,350,845	171,209	223,480	-	2,745,534
Inventories	-	-	4,107	-	4,107
Prepaid expenses	62,685	3,340	825	5,898	72,748
Security deposits	2,000	-	-	-	2,000
Property and equipment	-	-	-	-	-
Other Assets:					
Due from other funds	2,287	-	-	7,973	10,260
<b>Total Assets</b>	<b>\$ 2,451,323</b>	<b>\$ 174,555</b>	<b>\$ 228,418</b>	<b>\$ 958,088</b>	<b>\$ 3,812,384</b>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Temporary bank overdraft payable	\$ 1,409,479	\$ 82,130	\$ 217,896	\$ -	1,709,505
Accounts payable	817,304	80,247	2,879	3,795	904,225
Accrued salaries	127,084	6,297	4,397	7,505	145,283
Accrued vacation	96,365	5,881	3,246	6,688	112,180
Grant refunds payable	-	-	-	10,366	10,366
Total Liabilities	2,450,232	174,555	228,418	28,354	2,881,559
Net Assets:					
Without donor restrictions	-	-	-	929,734	929,734
With donor restrictions	1,091	-	-	-	1,091
Total Net Assets	1,091	-	-	929,734	930,825
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,451,323</b>	<b>\$ 174,555</b>	<b>\$ 228,418</b>	<b>\$ 958,088</b>	<b>\$ 3,812,384</b>



**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Head Start Program</b>	<b>Early Head Start Partnership Program</b>	<b>Child Nutrition Program</b>	<b>State Child Development Program</b>	<b>Total</b>
Public Support and Revenues:					
Federal and Federal pass-through	\$ 9,792,762	\$ 1,387,318	\$ 709,673	\$ -	\$ 11,889,753
Other Revenues:					
Program fees	-	-	68,413	-	68,413
Contract services	-	-	-	824,850	824,850
Local match	1,464,280	28,666	-	-	1,492,946
Other	90,885	11,854	-	900	103,639
Total Public Support and Revenues	11,347,927	1,427,838	778,086	825,750	14,379,601
Expenditures:					
Salaries and wages	4,741,275	248,087	131,909	198,726	5,319,997
Employee taxes and benefits	1,840,181	77,971	42,154	109,909	2,070,215
Travel	61,154	20,745	-	555	82,454
Property and equipment	574,466	18	4,403	7,412	586,299
Mortgage payments	80,376	-	-	-	80,376
Supplies	202,428	66,526	45,689	18,291	332,934
Contractual	189,397	886,168	4,154	2,386	1,082,105
Communications	150,103	6,453	540	63,247	220,343
Leases	141,834	10,382	70	5,612	157,898
Rentals	7,367	311	90	5,109	12,877
Insurance	33,279	5,102	833	4,760	43,974
Repairs and maintenance	366,391	237	1,577	98,924	467,129
Food purchases	76,571	29	511,125	50,317	638,042
Local match	1,464,280	28,666	-	-	1,492,946
Indirect	1,022,484	50,656	27,042	53,046	1,153,228
Other	396,341	26,487	8,500	76,707	508,035
Total Expenditures	11,347,927	1,427,838	778,086	695,001	14,248,852
Change in net assets before adjustments to convert to U.S. GAAP	\$ -	\$ -	\$ -	\$ 130,749	\$ 130,749

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF CASH FLOWS – NON-U.S. GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Head Start Program</b>	<b>Early Head Start Partnership Program</b>	<b>Child Nutrition Program</b>	<b>State Child Development Program</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>					
Change in net assets before adjustments to convert to U.S. GAAP	\$ -	\$ -	\$ -	\$ 130,749	\$ 130,749
Adjustments to reconcile change in net assets to net cash from operating activities:					
(Increase) decrease in operating assets:					
Accounts receivable	(13,516)	-	-	109,350	95,834
Grants receivable	(1,524,043)	2,763	(6,376)	-	(1,527,656)
Prepaid expenses	9,066	550	469	1,629	11,714
Due from other funds	-	-	-	(2,598)	(2,598)
Increase (decrease) in operating liabilities:					
Temporary bank overdraft payable	768,463	(8,903)	41,047	-	800,607
Accounts payable	763,817	4,760	(37,165)	(4,220)	727,192
Accrued salaries	26,069	1,362	2,544	2,632	32,607
Accrued vacation	(29,856)	(532)	(519)	3,519	(27,388)
Net cash from operating activities	-	-	-	241,061	241,061
Net change in cash	-	-	-	241,061	241,061
Cash, beginning of year	-	-	-	639,671	639,671
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,732</u>	<u>\$ 880,732</u>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF FINANCIAL POSITION – NON-U.S. GAAP  
COMMUNITY SERVICE PROGRAMS***DECEMBER 31, 2019*

	<b>Community Services Block Grant Program</b>	<b>Special Grants</b>	<b>Second Harvest Food Bank of Southeast NC</b>	<b>Reentry</b>	<b>Consumer Credit Counseling Services</b>	<b>Total</b>
<b>ASSETS</b>						
Current Assets:						
Cash	\$ 135,024	\$ 13,047	\$ 749,273	\$ -	\$ 232,386	\$ 1,129,730
Accounts receivable	15	-	78,257	-	1,950	80,222
Grants receivable	-	-	359,432	52,076	-	411,508
Prepaid expenses	7,842	-	7,743	-	-	15,585
Security deposits	4,812	-	-	-	-	4,812
Other Assets:						
Due from other funds	38,970	-	-	-	-	38,970
<b>Total Assets</b>	<b>\$ 186,663</b>	<b>\$ 13,047</b>	<b>\$ 1,194,705</b>	<b>\$ 52,076</b>	<b>\$ 234,336</b>	<b>\$ 1,680,827</b>
<b>LIABILITIES AND NET ASSETS</b>						
Current Liabilities:						
Temporary bank overdraft payable	\$ -	\$ -	\$ -	\$ 53,117	\$ -	\$ 53,117
Accounts payable	6,767	-	103,267	-	-	110,034
Accrued salaries	4,758	-	7,869	-	-	12,627
Accrued vacation	4,500	-	23,564	-	-	28,064
Grant refunds payable	80,969	-	8,767	-	-	89,736
Deferred revenue	-	-	90,896	-	-	90,896
Long-Term Liabilities:						
Due to other funds	-	-	38,970	-	-	38,970
<b>Total Liabilities</b>	<b>96,994</b>	<b>-</b>	<b>273,333</b>	<b>53,117</b>	<b>-</b>	<b>423,444</b>
Net Assets:						
Without donor restrictions	-	12,047	921,372	(1,041)	234,336	1,166,714
With donor restrictions	89,669	1,000	-	-	-	90,669
<b>Total Net Assets</b>	<b>89,669</b>	<b>13,047</b>	<b>921,372</b>	<b>(1,041)</b>	<b>234,336</b>	<b>1,257,383</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 186,663</b>	<b>\$ 13,047</b>	<b>\$ 1,194,705</b>	<b>\$ 52,076</b>	<b>\$ 234,336</b>	<b>\$ 1,680,827</b>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP  
COMMUNITY SERVICE PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Community Services Block Grant Program</b>	<b>Special Grants</b>	<b>Second Harvest Food Bank of Southeast NC</b>	<b>Reentry</b>	<b>Consumer Credit Counseling Services</b>	<b>Total</b>
Public Support and Revenues:						
Contributions	\$ -	\$ -	\$ 593,381	\$ -	\$ -	\$ 593,381
Grant Assistance:						
Federal and Federal pass-through	659,218	-	-	-	-	659,218
State	-	-	921,121	111,496	-	1,032,617
Local	-	-	37,754	-	-	37,754
Other	-	20,032	419,873	-	-	439,905
Other Revenues:						
Program fees	-	-	461,771	-	-	461,771
Rent	-	-	4,800	-	-	4,800
Interest	33	-	-	-	-	33
Indirect	-	-	-	-	25	25
Local Match	-	-	73,919	-	-	73,919
Other	-	-	528	-	-	528
Total Public Support and Revenues	659,251	20,032	2,513,147	111,496	25	3,303,951
Expenditures:						
Salaries and wages	200,889	15,956	426,369	55,303	-	698,517
Employee taxes and benefits	58,224	1,365	143,926	20,757	-	224,272
Travel	13,086	-	4,043	475	-	17,604
Property and equipment	-	-	350,972	-	-	350,972
Mortgage payments	-	-	65,868	-	-	65,868
Supplies	6,927	196	53,707	280	-	61,110
Contractual	3,557	37	137,092	703	-	141,389
Communications	6,835	392	69,187	-	267	76,681
Leases	32,900	-	24,509	-	-	57,409
Rentals	70	-	85,432	-	-	85,502
Insurance	3,722	-	20,803	-	-	24,525
Repairs and maintenance	7,881	-	68,375	-	75	76,331
Client assistance	276,368	1,369	-	21,834	-	299,571
Food purchases	-	-	518,542	209	-	518,751
Other	35,095	206	211,990	113	33	247,437
Local match	-	-	73,919	-	-	73,919
Indirect	40,255	2,711	88,600	11,822	-	143,388
Total Expenditures	685,809	22,232	2,343,334	111,496	375	3,163,246
Change in net assets before adjustments to convert to GAAP	\$ (26,558)	\$ (2,200)	\$ 169,813	\$ -	\$ (350)	\$ 140,705

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF CASH FLOWS – NON-U.S. GAAP****COMMUNITY SERVICE PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Community Services Block Grant Program</b>	<b>Special Grants</b>	<b>Second Harvest Food Bank of Southeast NC</b>	<b>Reentry</b>	<b>Consumer Credit Counseling Services</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>						
Change in net assets before adjustments to convert to expenses to U.S. GAAP	\$ (26,558)	\$ (2,200)	\$ 169,813	\$ -	\$ (350)	\$ 140,705
Adjustments to reconcile change in net assets to net cash from operating activities:						
(Increase) decrease in operating assets:						
Accounts receivable	-	-	(43,231)	-	4,067	(39,164)
Grants receivable	38,879	-	(262,794)	(18,117)	-	(242,032)
Prepaid expenses	(3,452)	-	(565)	-	-	(4,017)
Increase (decrease) in operating liabilities:						
Temporary bank overdraft payable	-	-	-	20,799	-	20,799
Accounts payable	178	-	(33,212)	(70)	-	(33,104)
Accrued salaries	1,160	(936)	(2,319)	(1,591)	(70)	(3,756)
Accrued vacation	784	-	(8,340)	(1,021)	-	(8,577)
Grant refunds payable	596	-	1	-	-	597
Deferred revenue	-	-	(78,708)	-	-	(78,708)
Net cash from operating activities	<u>11,587</u>	<u>(3,136)</u>	<u>(259,355)</u>	<u>-</u>	<u>3,647</u>	<u>(247,257)</u>
Net change in cash	11,587	(3,136)	(259,355)	-	3,647	(247,257)
Cash, beginning of year	<u>123,437</u>	<u>16,183</u>	<u>1,008,628</u>	<u>-</u>	<u>228,739</u>	<u>1,376,987</u>
Cash, end of year	<u>\$ 135,024</u>	<u>\$ 13,047</u>	<u>\$ 749,273</u>	<u>\$ -</u>	<u>\$ 232,386</u>	<u>\$ 1,129,730</u>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF FINANCIAL POSITION – NON-U.S. GAAP  
LOW INCOME HOUSING PROGRAMS***DECEMBER 31, 2019*

	<b>Weatherization Program</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ 33,220	\$ 26,700	\$ 117,997	\$ 177,917
Accounts receivable	18	-	39,680	4,929	44,627
Grants receivable	260,409	-	-	-	260,409
Prepaid expenses	8,505	-	-	648	9,153
Security deposits	838	-	-	-	838
<b>Total Assets</b>	<b>\$ 269,770</b>	<b>\$ 33,220</b>	<b>\$ 66,380</b>	<b>\$ 123,574</b>	<b>\$ 492,944</b>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Temporary bank overdraft payable	\$ 138,507	\$ -	\$ -	\$ -	\$ 138,507
Accounts payable	37,526	8,189	13,275	2,572	61,562
Accrued salaries	9,723	-	-	-	9,723
Accrued vacation	24,016	-	-	-	24,016
Grant refunds payable	27,116	-	-	-	27,116
Deferred revenue	-	-	-	-	-
Long-Term Liabilities:					
Due to other funds	-	-	-	40,651	40,651
<b>Total Liabilities</b>	<b>236,888</b>	<b>8,189</b>	<b>13,275</b>	<b>43,223</b>	<b>301,575</b>
Net Assets:					
Without donor restrictions	-	25,031	53,105	80,351	158,487
With donor restrictions	32,882	-	-	-	32,882
<b>Total Net Assets</b>	<b>32,882</b>	<b>25,031</b>	<b>53,105</b>	<b>80,351</b>	<b>191,369</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 269,770</b>	<b>\$ 33,220</b>	<b>\$ 66,380</b>	<b>\$ 123,574</b>	<b>\$ 492,944</b>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP  
LOW INCOME HOUSING PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Weatherization Program</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
Public Support and Revenues:					
Grant Assistance:					
Federal and Federal pass-through	\$ 2,190,708	\$ -	\$ -	\$ -	\$ 2,190,708
Other Revenues:					
Program fees	3,848	-	-	-	3,848
Contract services	-	244,183	198,059	-	442,242
Rent	-	-	-	33,768	33,768
Other	-	12,757	6,949	-	19,706
Total Public Support and Revenues	<u>2,194,556</u>	<u>256,940</u>	<u>205,008</u>	<u>33,768</u>	<u>2,690,272</u>
Expenditures:					
Salaries and wages	363,855	459	780	111	365,205
Employee taxes and benefits	110,542	156	172	24	110,894
Travel	32,035	111	-	-	32,146
Property and equipment	3,179	-	-	-	3,179
Supplies	18,045	153	-	-	18,198
Contractual	633,749	78,511	36,749	2,228	751,237
Communications	15,569	777	10	-	16,356
Leases	30,160	298	-	-	30,458
Rentals	764	18	-	-	782
Insurance	12,420	64	-	2,523	15,007
Repairs and maintenance	15,538	63	-	38,425	54,026
Client assistance	825,323	148,454	114,044	3,931	1,091,752
Indirect	68,503	96	148	21	68,768
Other	64,874	2,749	-	8,075	75,698
Total Expenditures	<u>2,194,556</u>	<u>231,909</u>	<u>151,903</u>	<u>55,338</u>	<u>2,633,706</u>
Change in net assets before adjustments to convert to U.S. GAAP	<u>\$ -</u>	<u>\$ 25,031</u>	<u>\$ 53,105</u>	<u>\$ (21,570)</u>	<u>\$ 56,566</u>

**ACTION PATHWAYS, INC.****COMBINING STATEMENT OF CASH FLOWS – NON-U.S. GAAP  
LOW INCOME HOUSING PROGRAMS***YEAR ENDED DECEMBER 31, 2019*

	<b>Weatherization Program</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>					
Change in net assets before adjustments to convert expenses to U.S. GAAP	\$ -	\$ 25,031	\$ 53,105	\$ (21,570)	\$ 56,566
Adjustments to reconcile increase in net assets to net cash from operating activities:					
(Increase) decrease in operating assets:					
Accounts receivable	-	10,961	(23,792)	(520)	(13,351)
Grants receivable	83,674	-	-	-	83,674
Prepaid expenses	(1,542)	-	-	(77)	(1,619)
Increase (decrease) in operating liabilities:					
Temporary overdraft payable	(84,910)	-	(9,679)	-	(94,589)
Accounts payable	(502)	(7,555)	7,066	2,572	1,581
Accrued salaries	1,382	-	-	-	1,382
Accrued vacation	1,898	-	-	-	1,898
Due to other funds	-	-	-	32,989	32,989
Net cash from operating activities	-	28,437	26,700	13,394	68,531
Net change in cash	-	28,437	26,700	13,394	68,531
Cash, beginning of year	-	4,783	-	104,603	109,386
Cash, end of year	\$ -	\$ 33,220	\$ 26,700	\$ 117,997	\$ 177,917



**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET  
ASSETS – NON-U.S. GAAP  
HEAD START PROGRAM GRANT NUMBER 04-CH2139/49***YEAR ENDED DECEMBER 31, 2019*

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**Public Support and Revenues****Government Grants:****Department of Health and Human Services - Head Start:****Current year - new obligations:**

Full year, part day, and special needs (PA-22)	\$ 6,590,153
Training and technical assistance (PA-20)	81,081
Early program (PA-25)	3,086,359
Training and technical assistance (PA-21)	35,169

Total Government Grants	9,792,762
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**Other Revenue and Public Support:**

USDA reimbursement grants	709,673
Grantees non-federal share - budget amount	1,464,280
USDA adult lunch revenues	68,413
Child care reimbursement	59
Other	90,826

Total Other Revenue and Public Support	2,333,251
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Total Public Support and Revenues	12,126,013
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**Expenditures:****Government Grants:****Head Start - full year, part day (PA-22):****Direct costs:**

Salaries and wages	3,005,258
Fringe benefits	1,433,250
Equipment	505,522
Expendable equipment and equipment rental	32,638
Supplies	97,147
Contractual and space costs	563,880
Other	353,783

Subtotal	5,991,478
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Indirect costs	689,559
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Total	6,681,037
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**Training and Technical Assistance (PA-20):****Direct Costs:**

Travel	81,081
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**Early Program (PA-25):****Direct Costs:**

Salaries and wages	1,702,699
Equipment	440,248
Fringe benefits	68,944
Expendable equipment and equipment rental	14,682
Supplies	105,281
Contractual and space costs	273,782
Other	147,799

Subtotal	2,753,435
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Indirect costs	332,925
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Total	3,086,360
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**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS – NON-U.S. GAAP (CONTINUED)**  
**HEAD START PROGRAM GRANT NUMBER 04-CH2139/49***YEAR ENDED DECEMBER 31, 2019*

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Training and Technical Assistance (PA-21):	
Direct Costs:	
Travel	\$ 35,169
Total Head Start	<u>9,883,647</u>
Other Expenditures:	
USDA Reimbursement Funds:	
Direct Costs:	
Salaries and wages	131,578
Fringe benefits	42,485
Supplies	45,690
Contractual and space costs	11,751
Other	<u>519,540</u>
Subtotal	751,044
Indirect costs	<u>27,042</u>
Total USDA	<u>778,086</u>
Public Support:	
Head Start - full year, part day (PA-22):	
In-kind contributions (see note below)	1,002,041
Head Start Early (PA-25):	
In-kind contributions (see note below)	<u>462,239</u>
Total Public Support	<u>1,464,280</u>
Total Expenditures	<u>12,126,013</u>
Change in net assets	-
Net assets, beginning of year	<u>1,091</u>
Net assets, end of year	<u><u>\$ 1,091</u></u>
Analysis of Net Assets:	
With Donor Restrictions:	
NC Transition Grant	<u><u>\$ 1,091</u></u>
Head Start Administrative Costs Calculation:	
Administrative costs divided by grant revenue $\$1,202,972/\$11,231,452 = 10.71\%$	
Conclusion - Final administrative costs do not exceed the 15% statutory limitation.	

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS – NON-U.S. GAAP**  
**COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184 AND 33627**

*PERIOD ENDING JUNE 30, 2019 AND 2020*

	<b>Grant Period Ending June 30, 2019</b>	<b>Grant Period Ending June 30, 2020</b>	<b>Total</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	14	19	33
Government Grants:			
Federal pass-through	165,699	493,519	659,218
Total Public Support, Government Grants, and Revenues	165,713	493,538	659,251
Expenditures:			
Direct Costs:			
Salaries and wages	93,713	107,176	200,889
Fringe benefits	28,620	29,604	58,224
Communications	4,489	8,785	13,274
Space costs	21,658	26,997	48,655
Travel	8,029	15,727	23,756
Contractual	3,462	7,092	10,554
Supplies and materials	2,047	4,880	6,927
Client services	99,853	176,514	276,367
Equipment	-	-	-
Other	1,102	5,806	6,908
Subtotal	262,973	382,581	645,554
Indirect costs	17,734	22,521	40,255
Total Expenditures	280,707	405,102	685,809
Change in net assets	(114,994)	88,436	(26,558)
Net assets, beginning of year	-	-	-
Net assets, end of year	<u>\$ (114,994)</u>	<u>\$ 88,436</u>	<u>\$ (26,558)</u>
Analysis of Net Assets:			
CSBG programs	\$ (114,994)	\$ 88,436	\$ (26,558)
Nongrant funds - without donor restrictions	-	-	-
	<u>\$ (114,994)</u>	<u>\$ 88,436</u>	<u>\$ (26,558)</u>

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – BUDGET AND ACTUAL –  
NON-U.S. GAAP  
COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184**

*SIX MONTHS ENDED DECEMBER 31, 2018 AND JUNE 30, 2019*

	<b>Six Months Ended December 31, 2018</b>	<b>Six Months Ended June 30, 2019</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
Public Support, Government Grants, and Revenues:					
Donations	\$ 564	\$ -	\$ 564	\$ -	\$ 564
Interest income	18	14	32	-	32
Government Grants:					
Federal pass-through	395,582	165,699	561,281	767,802	(206,521)
Total Public Support, Government Grants, and Revenues	<u>396,164</u>	<u>165,713</u>	<u>561,877</u>	<u>767,802</u>	<u>(205,925)</u>
Expenditures:					
Direct Costs:					
Salaries and wages	101,091	93,713	194,804	216,053	21,249
Fringe benefits	32,959	28,620	61,579	80,624	19,045
Communications	3,469	4,489	7,958	13,701	5,743
Space costs	25,128	21,658	46,786	55,200	8,414
Travel	14,753	8,029	22,782	36,581	13,799
Contractual	5,685	3,462	9,147	15,456	6,309
Supplies and materials	1,248	2,047	3,295	11,500	8,205
Client Services	77,032	99,853	176,885	287,000	110,115
Equipment	-	-	-	-	-
Other	3,377	1,102	4,479	6,592	2,113
Subtotal	<u>264,742</u>	<u>262,973</u>	<u>527,715</u>	<u>722,707</u>	<u>194,992</u>
Indirect costs	<u>18,043</u>	<u>17,734</u>	<u>35,777</u>	<u>45,095</u>	<u>9,318</u>
Total Expenditures	<u>282,785</u>	<u>280,707</u>	<u>563,492</u>	<u>767,802</u>	<u>204,310</u>
Change in net assets	113,379	(114,994)	(1,615)	<u>\$ -</u>	<u>\$ (1,615)</u>
Net assets, beginning of year	-	-	-		
Net assets, end of year	<u>\$ 113,379</u>	<u>\$ (114,994)</u>	<u>\$ (1,615)</u>		
Analysis of Net Assets:					
Nongrant funds - With Donor Restrictions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Total Analysis of Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

**ACTION PATHWAYS, INC.**

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –  
BUDGET AND ACTUAL – NON-U.S. GAAP  
COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 33627**

*YEAR ENDED DECEMBER 31, 2019*

*(GRANT PERIOD JULY 1, 2018 THROUGH JUNE 30, 2019)*

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	19	19
Government Grants:			
Federal pass through	1,160,640	493,519	(667,121)
Public Support, Government Grants, and Revenues:	1,160,640	493,538	(667,102)
Expenditures:			
Direct Costs:			
Salaries and wages	316,571	107,176	209,395
Fringe benefits	117,463	29,604	87,859
Communications	14,118	8,785	5,333
Space costs	45,391	26,997	18,394
Travel	45,877	15,727	30,150
Contractual	16,620	7,092	9,528
Supplies and materials	7,960	4,880	3,080
Client services	525,512	176,514	348,998
Other	8,193	5,806	2,387
Subtotal	1,097,705	382,581	715,124
Indirect cost	62,935	22,521	40,414
Total Expenditures	1,160,640	405,102	755,538
Change in net assets	\$ -	88,436	\$ 88,436
Net assets, July 1, 2019		-	
Net assets, December 31, 2019		\$ 88,436	
Analysis of net assets:			
CSBG programs		\$ 88,436	
Nongrant funds - Without Donor Restrictions		-	
Total Net Assets		\$ 88,436	

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP  
WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514***SIX MONTHS ENDED DECEMBER 31, 2018 AND JUNE 30, 2019*

	<b>Six Months Ended December 31, 2018</b>	<b>Six Months Ended June 30, 2019</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>WEATHERIZATION:</b>					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funds:					
Total grant	207,225	236,664	443,889	485,695	(41,806)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>207,225</u>	<u>236,664</u>	<u>443,889</u>	<u>485,695</u>	<u>(41,806)</u>
Expenditures:					
Administration	13,084	6,748	19,832	26,282	6,450
Training and technical assistance	31,523	46,718	78,241	78,241	-
Health and safety	15,357	32,899	48,256	60,859	12,603
Program operations	<u>147,261</u>	<u>150,299</u>	<u>297,560</u>	<u>320,313</u>	<u>22,753</u>
Total Expenditures	<u>207,225</u>	<u>236,664</u>	<u>443,889</u>	<u>485,695</u>	<u>41,806</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>HARRP:</b>					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ 3,573	\$ 3,573	\$ -	\$ 3,573
Grant Funds:					
Total grant	362,267	235,671	597,938	626,700	(28,762)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>362,267</u>	<u>239,244</u>	<u>601,511</u>	<u>626,700</u>	<u>(25,189)</u>
Expenditures:					
Administration	3,529	4,266	7,795	32,984	25,189
Program operations	<u>358,738</u>	<u>234,978</u>	<u>593,716</u>	<u>593,716</u>	<u>-</u>
Total Expenditures	<u>362,267</u>	<u>239,244</u>	<u>601,511</u>	<u>626,700</u>	<u>25,189</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-U.S. GAAP (CONTINUED)**  
**WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514***SIX MONTHS ENDED DECEMBER 31, 2018 AND JUNE 30, 2019*

	<b>Six Months Ended December 31, 2018</b>	<b>Six Months Ended June 30, 2019</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
LIHEAP:					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ 275	\$ 275	\$ 550	\$ -	\$ 550
Grant Funds:					
Total grant	445,096	722,491	1,167,587	1,200,734	(33,147)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>445,371</u>	<u>722,766</u>	<u>1,168,137</u>	<u>1,200,734</u>	<u>32,597</u>
Expenditures:					
Administration	21,208	24,218	45,426	63,196	17,770
Program operations	381,997	545,688	927,685	942,058	14,373
Health & Safety	<u>42,166</u>	<u>152,860</u>	<u>195,026</u>	<u>195,480</u>	<u>454</u>
Total Expenditures	<u>445,371</u>	<u>722,766</u>	<u>1,168,137</u>	<u>1,200,734</u>	<u>32,597</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## OTHER DATA



**ACTION PATHWAYS, INC.****STATEMENT OF FINANCIAL POSITION – NON-U.S. GAAP****SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***DECEMBER 31, 2019***ASSETS**

## Current Assets:

Cash	\$	749,273
Accounts receivable		78,257
Grants receivable		359,432
Prepaid expenses		7,743
<b>Total Assets</b>	<b>\$</b>	<b>1,194,705</b>

**LIABILITIES AND NET ASSETS**

## Current Liabilities:

Accounts payable	\$	103,267
Accrued salaries		7,869
Accrued vacation		23,564
Grant refunds payable		8,767
Deferred revenue		90,896

## Long-Term Liabilities:

Due to other funds		38,970
<b>Total Liabilities</b>		<b>273,333</b>

## Net Assets:

Without donor restrictions		921,372
<b>Total Net Assets</b>		<b>921,372</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>1,194,705</b>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –  
NON-U.S. GAAP****SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2019*

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**Public Support and Revenues:****Grant Assistance:**

Federal and federal pass through	\$ 383,342
State	611,698
Local	37,754
Other	419,873
Total Grants Assistance	<u>1,452,667</u>

**Donations:**

Cash	593,381
Food	23,283,147
Total Donations	<u>23,876,528</u>

**Fees:**

Shared maintenance	443,366
Dues	11,625
Total Fees	<u>454,991</u>

Other	<u>12,108</u>
Total Public Support and Revenues	<u>25,796,294</u>

**Expenditures:****Administration:**

Personnel	63,955
Payroll taxes	6,300
Fringe benefits	16,428
Supplies	1,249
Contractual and space	9,748
Indirect	88,600
Other	14,432
Total Administration	<u>200,712</u>

**ACTION PATHWAYS, INC.****STATEMENT OF PUBLIC SUPPORT AND REVENUE AND FUNCTIONAL EXPENDITURES –  
NON-U.S. GAAP (CONTINUED)  
SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2019*

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**Expenditures (continued):****Operating:**

Personnel	\$ 319,777
Payroll taxes	26,705
Fringe benefits	80,100
Travel	4,043
Supplies	47,087
Contractual and space	172,917
Food purchases	518,542
Donated food - distributed	21,404,109
Spoilage	251,492
Other	848,649
Total Operating	<u>23,673,421</u>

**Fundraising:**

Personnel	42,637
Payroll taxes	3,667
Fringe benefits	10,725
Supplies	5,371
Contractual and space	20,296
Other	42,107
Total Fundraising	<u>124,803</u>
Total Expenditures	<u>23,998,936</u>
Adjustment to Net Assets	<u>\$ 1,797,358</u>

## **COMPLIANCE SECTION**

**Report of Independent Auditor 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***

To the Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Action Pathways, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 18, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the 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 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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 "Cherry Bekart LLP". The signature is written in a cursive, flowing style.

Fayetteville, North Carolina  
June 18, 2020

## **Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors  
Action Pathways, Inc.  
Fayetteville, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited Action Pathways, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

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 identified in the *summary of auditor's results* section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2019.

### **Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Cherry Bekart LLP*

Fayetteville, North Carolina  
June 18, 2020



**ACTION PATHWAYS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2019

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**Section I – Summary of Auditor’s Results**

*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 financial statements  
noted?                      \_\_\_\_\_ yes                        X   no

*Federal Awards*

Internal control over major federal programs:

- 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 federal awards  
noted?                      \_\_\_\_\_ yes                        X   no

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be  
reported in accordance with the OMB Uniform  
Guidance?                      \_\_\_\_\_ yes                        X   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
93.600	Head Start
93.600	Early Head Start Child Care Partnership

**ACTION PATHWAYS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2019*

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**Section I – Summary of Auditor’s Results (continued)**

Dollar threshold used to distinguish between Type  
A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   yes           no

**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**ACTION PATHWAYS, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED DECEMBER 31, 2019*

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There were no findings reported in the prior year audit of the basic financial statements or Federal Award findings and questioned costs.

**ACTION PATHWAYS, INC.****SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED DECEMBER 31, 2019

<b>Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal and State Expenditures</b>	<b>In-Kind Program Income and Other Local Expenditures</b>
U.S. Department of Health and Human Services:			
Head Start	93.600	\$ 9,792,762	\$ 1,438,680
Early Head Start Child Care Partnership	93.600	1,387,318	28,666
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	685,776	33
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	1,210,158	275
Low-Income Home Energy Assistance Program - Weatherization	93.568	539,704	3,573
Total Department of Health and Human Services		13,615,718	1,471,227
U.S. Department of Agriculture:			
Passed through N.C. Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	709,673	-
Food Distribution Cluster:			
Noncash Assistance (Food commodities)			
Passed through N.C. Department of Agriculture			
Commodity Supplemental Food Program (Food commodities)	10.565	226,710	-
Emergency Food Assistance Program (Food commodities)	10.569	5,359,688	-
Noncash Assistance		5,586,398	-
Cash Assistance:			
Passed through N.C. Department of Health and Human Services			
Commodity Senior Food Program (Administrative costs)	10.568	75,547	-
Emergency Food Assistance Program (Administrative costs)	10.568	271,370	-
Cash Assistance		346,917	-
Total Emergency Food Assistance Cluster		5,933,315	-
Total U.S. Department of Agriculture		6,642,988	-
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042	440,846	-
Total U.S. Department of Energy		440,846	-
Total Expenditures of Federal Awards		20,699,552	1,471,227
State of N.C. Grant Programs:			
State Nutrition Assistance Grant	Contract # 34645	640,667	73,919
Total Expenditures of State Awards		640,667	73,919
Total Expenditures of Federal and State Awards		\$ 21,340,219	\$ 1,545,146

## **ACTION PATHWAYS, INC.**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED DECEMBER 31, 2019*

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#### **Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Action Pathways, Inc. (the “Organization”) under programs of the federal and state government for the year ended December 31, 2019. The information in this Schedule 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 Schedule 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. Expenditures reported on the Schedule 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.

#### **Note 2—In-kind contributions**

In-kind, program income, and other local expenditures includes in-kind contributions of \$1,545,146. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at \$186,190 for the year ended December 31, 2019 is eliminated for financial statement purposes.

#### **Note 3—Food commodities**

Nonmonetary assistance is reported in this Schedule at the fair market value of commodities received. At December 31, 2019, the Organization had food commodities totaling \$425,041 in inventory.

#### **Note 4—Indirect costs**

During the year ended December 31, 2019, the Organization did not elect to use the 10% de minimis cost rate for charging indirect costs to the grants.