

ACTION PATHWAYS, INC.
FAYETTEVILLE, NORTH CAROLINA

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

*As of and for the Year Ended December 31, 2020
(With Comparative Totals for December 31, 2019)*

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, 2020, 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 (“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, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with GAAP.

Report on Summarized Comparative Information

We previously audited the Organization's 2019 financial statements, and our report dated June 18, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 22, 2021, 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 Bekaert LLP

Fayetteville, North Carolina
June 22, 2021

ACTION PATHWAYS, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

| | 2020 | 2019 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,687,899 | \$ 1,024,063 |
| Investments | 982,543 | 851,310 |
| Accounts receivable | 268,595 | 325,348 |
| Grants receivable | 5,968,886 | 3,417,451 |
| Inventories | 11,024 | 4,107 |
| Prepaid expenses | 83,074 | 116,633 |
| Security deposits | 7,707 | 7,707 |
| Total Current Assets | <u>11,009,728</u> | <u>5,746,619</u> |
| Property and equipment, net | <u>6,838,983</u> | <u>6,370,885</u> |
| Total Assets | <u><u>\$ 17,848,711</u></u> | <u><u>\$ 12,117,504</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$ 112,786 | \$ 107,000 |
| Accounts payable | 722,056 | 1,156,520 |
| Accrued salaries | 250,072 | 189,577 |
| Accrued vacation | 218,208 | 206,747 |
| Grant refunds payable | 127,217 | 127,218 |
| Deferred revenue | 1,594,234 | 90,896 |
| Total Current Liabilities | <u>3,024,573</u> | <u>1,877,958</u> |
| Long-Term Liabilities: | | |
| Noncurrent portion of long-term debt | <u>542,302</u> | <u>662,377</u> |
| Total Liabilities | <u>3,566,875</u> | <u>2,540,335</u> |
| Net Assets: | | |
| Without donor restrictions | 12,840,979 | 9,452,527 |
| With donor restrictions | <u>1,440,857</u> | <u>124,642</u> |
| Total Net Assets | <u>14,281,836</u> | <u>9,577,169</u> |
| Total Liabilities and Net Assets | <u><u>\$ 17,848,711</u></u> | <u><u>\$ 12,117,504</u></u> |

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

YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

| | Without Donor Restrictions | With Donor Restrictions | 2020 | 2019 |
|--|----------------------------------|-------------------------------|---------------|--------------|
| Public Support and Revenues: | | | | |
| Contributions | \$ 1,694,207 | \$ - | \$ 1,694,207 | \$ 593,386 |
| Federal financial assistance | 10,977,815 | 735,523 | 11,713,338 | 14,739,679 |
| State financial assistance | 1,751,396 | 3,374,607 | 5,126,003 | 1,032,617 |
| Local grants | 12,750 | - | 12,750 | 37,754 |
| Other grants | 3,112,930 | - | 3,112,930 | 439,905 |
| Donated services, materials, and space | 851,917 | - | 851,917 | 1,380,675 |
| Program fees and other | 1,015,070 | - | 1,015,070 | 657,286 |
| Contract services | 312,382 | - | 312,382 | 1,267,092 |
| Rent | 48,653 | - | 48,653 | 38,568 |
| Investment return, (net) | 142,408 | - | 142,408 | 142,209 |
| Total Public Support and Revenues | 19,919,528 | 4,110,130 | 24,029,658 | 20,329,171 |
| Net Assets Released from Restrictions: | | | | |
| Satisfaction of program restrictions: | | | | |
| Community Services | 735,523 | (735,523) | - | - |
| Low Income Housing | 2,058,392 | (2,058,392) | - | - |
| Total Net Assets Released | 2,793,915 | (2,793,915) | - | - |
| Total Public Support and Revenues | 22,713,443 | 1,316,215 | 24,029,658 | 20,329,171 |
| Expenses: | | | | |
| Program Services: | | | | |
| Early Childhood Development | 11,976,385 | - | 11,976,385 | 13,514,139 |
| Community Services | 4,846,947 | - | 4,846,947 | 2,861,670 |
| Low Income Housing | 2,486,788 | - | 2,486,788 | 2,665,888 |
| Total Program Services | 19,310,120 | - | 19,310,120 | 19,041,697 |
| Supporting Services: | | | | |
| Management and Administration | 14,871 | - | 14,871 | 51,348 |
| Total Supporting Services | 14,871 | - | 14,871 | 51,348 |
| Total Expenses | 19,324,991 | - | 19,324,991 | 19,093,045 |
| Increase in net assets | 3,388,452 | 1,316,215 | 4,704,667 | 1,236,126 |
| Net assets, beginning of year | 9,452,527 | 124,642 | 9,577,169 | 8,341,043 |
| Net assets, end of year | \$ 12,840,979 | \$ 1,440,857 | \$ 14,281,836 | \$ 9,577,169 |

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

| | Program Services | | | Supporting Services | | |
|-----------------------------|-----------------------------------|-----------------------|-----------------------|-------------------------------------|----------------------|----------------------|
| | Early Childhood Development | Community Services | Low Income Housing | Management and Administration | 2020 | 2019 |
| Expenditures: | | | | | | |
| Salaries and wages | \$ 5,142,479 | \$ 771,777 | \$ 360,606 | \$ 827,713 | \$ 7,102,575 | \$ 7,161,814 |
| Employee taxes and benefits | 1,904,449 | 224,754 | 109,132 | 212,067 | 2,450,402 | 2,612,048 |
| Travel | 13,526 | 6,520 | 686 | 2,866 | 23,598 | 154,092 |
| Property and equipment | - | 44,735 | 539 | 367 | 45,641 | 23,612 |
| Mortgage payments | 16,581 | 14,988 | - | - | 31,569 | 38,241 |
| Supplies | 205,748 | 185,040 | 31,841 | 14,082 | 436,711 | 442,025 |
| Contractual | 1,069,679 | 144,108 | 640,761 | 133,429 | 1,987,977 | 2,081,431 |
| Communications | 198,101 | 93,427 | 18,210 | 22,152 | 331,890 | 336,962 |
| Leases | 141,029 | 59,468 | 36,831 | 10,068 | 247,396 | 256,830 |
| Rentals | 11,106 | 1,666 | 651 | 5,527 | 18,950 | 105,069 |
| Insurance | 81,553 | 8,176 | 6,365 | 17,611 | 113,705 | 101,406 |
| Repairs and maintenance | 149,919 | 74,532 | 64,457 | 43,457 | 332,365 | 482,828 |
| Client assistance | 296 | 573,343 | 1,064,426 | - | 1,638,065 | 1,391,323 |
| Food purchases | 148,103 | 1,990,841 | - | 705 | 2,139,649 | 1,157,800 |
| Other | 617,716 | 348,461 | 66,659 | 63,263 | 1,096,099 | 929,282 |
| Depreciation | 333,263 | 153,036 | 12,598 | 14,546 | 513,443 | 411,356 |
| Local match | 814,956 | - | - | - | 814,956 | 1,380,674 |
| Loss on disposal of asset | - | - | - | - | - | 26,277 |
| Indirect | 1,127,881 | 152,075 | 73,026 | (1,352,982) | - | - |
| Total Expenditures | <u>\$ 11,976,385</u> | <u>\$ 4,846,947</u> | <u>\$ 2,486,788</u> | <u>\$ 14,871</u> | <u>\$ 19,324,991</u> | <u>\$ 19,093,070</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 4,704,667 | \$ 1,236,126 |
| Adjustments to reconcile increase in net assets to net cash flows from operating activities: | | |
| Depreciation | 513,443 | 411,356 |
| Loss on disposal of fixed assets | - | 26,277 |
| Realized and unrealized losses on investments | (124,098) | (121,801) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 56,753 | 7,650 |
| Grants receivable | (2,551,435) | (1,686,014) |
| Inventories | (6,917) | - |
| Prepaid expenses | 33,559 | 11,943 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (434,466) | 743,224 |
| Accrued salaries | 60,495 | 33,139 |
| Accrued vacation | 11,461 | (41,085) |
| Grant refunds payable | - | 597 |
| Deferred revenue | 1,503,338 | (78,708) |
| Net cash flows from operating activities | <u>3,766,800</u> | <u>542,704</u> |
| Cash flows from investing activities: | | |
| Expended for property and equipment | (981,542) | (1,105,494) |
| Proceeds for sales of investments | 908,047 | 684,523 |
| Purchase of investments | (915,182) | (694,422) |
| Net cash flows from investing activities | <u>(988,677)</u> | <u>(1,115,393)</u> |
| Cash flows from financing activities: | | |
| Repayment of notes payable | (114,287) | (109,233) |
| Net cash flows from financing activities | <u>(114,287)</u> | <u>(109,233)</u> |
| Net increase (decrease) in cash | 2,663,836 | (681,922) |
| Cash, beginning of year | 1,024,063 | 1,705,985 |
| Cash, end of year | <u>\$ 3,687,899</u> | <u>\$ 1,024,063</u> |
| Supplemental disclosure of cash payments for interest | <u>\$ 31,569</u> | <u>\$ 38,241</u> |

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 (“GAAP”). The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 *Financial Statements for Not-for-Profit Organizations*. This statement requires that 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.

Revenue Recognition – Revenues from non-exchange transactions, contributions and grants, may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments) and are included in private gifts and grants on the accompanying statements of activities. Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

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 without donor restrictions unless specifically restricted by the donor and are reported 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.

The Organization also receives grants from the federal and state agencies. Grants which are classified as non-exchange transactions and are recognized as revenue when the barriers required under the grant are satisfied.

Deferred revenue consists primarily of federal and state grants that have been awarded, but for which the Organization has not incurred expenses.

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 2—Summary of significant accounting policies (continued)

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.

Use of Estimates – The preparation of financial statements in conformity with 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, 2020, the collected balances at two financial institutions exceeded FDIC coverage by a total of \$3,591,204.

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.

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 2—Summary of significant accounting policies (continued)

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.

During the year ended December 31, 2020, the Second Harvest Food Bank of Southeast North Carolina received approximately 13,424,095 pounds of donated food and distributed approximately 14,706,672 pounds of the donated food to member agencies. The donated food was valued at \$1.74 per pound and, therefore, amounts to \$25,589,609 received and \$23,357,925 distributed during the year. Of the \$23,357,925 distributed, \$8,665,925 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:

| | |
|------------------------------------|---------------|
| 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 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 GAAP (those not requiring specific expertise), valued at \$25,309 for Head Start for the year ended December 31, 2020 is eliminated for financial statement purposes.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 52,678 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2020. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$1,368,581 for the year ended December 31, 2020 were not recorded for financial statement purposes.

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 2020, as determined by the Organization, is 15.54%.

Deferred Revenue – Deferred revenue represents money received, but not yet earned under its intended purpose in accordance with 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, 2020 was \$132,010.

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, 2020 was approximately \$11,364.

Upcoming Accounting Pronouncements – In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, Leases (*Topic 842*). 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, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 2—Summary of significant accounting policies (continued)

- *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.*
- *CARES NC – This program is designed to support low-income people in communities, not only during the immediate efforts to prevent or slow transmission of COVID-19 when individuals and families may not have access to critical resources but also in the recovery efforts to address the economic and community consequences of the outbreak.*
- *Relief NC – This program is designed to support a range of locally identified services and strategies focused on residents with low incomes and disaster-related needs associated with the impact of Hurricane Florence in September 2018.*

Note 3—Liquidity and availability

As of December 31, 2020, 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 statement of financial position date to meet general expenditures:

Financial assets held at year-end:

| | |
|--|--------------------------|
| Cash and cash equivalents | \$ 3,687,899 |
| Investments | 982,543 |
| Accounts receivable | 268,595 |
| Grants receivable | 5,968,886 |
| | <hr/> 10,907,923 |
| Less donor restrictions | (1,440,857) |
| Financial assets available to meet expenditures over the next 12 months | <hr/> \$ 9,467,066 <hr/> |

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.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|---------|-----------|---------|------------|
| Money market funds | | \$ 18,235 | \$ - | \$ 18,235 |
| | \$ - | \$ 18,235 | \$ - | 18,235 |
| Mutual funds* | | | | 964,308 |
| | | | | \$ 982,543 |

*In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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 – These investments are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value (“NAV”) and to transact at that price. The fair value of investments in this category have been estimated using the NAV.

ACTION PATHWAYS, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 5—Property and equipment

Property and equipment activity for the year ended December 31, 2020 was as follows:

| | December 31, 2019 Beginning Balances | Additions | Disposals | December 31, 2020 Ending Balances |
|--|---|-------------------|-------------|--|
| By asset type: | | | | |
| Land | \$ 509,732 | \$ - | \$ - | \$ 509,732 |
| Vehicles | 2,492,324 | 876,910 | - | 3,369,234 |
| Equipment, furniture, and fixtures | 2,087,595 | 104,631 | - | 2,192,226 |
| Buildings and improvements | 6,529,149 | - | - | 6,529,149 |
| | <u>\$ 11,618,800</u> | <u>\$ 981,541</u> | <u>\$ -</u> | <u>\$ 12,600,341</u> |
| By functions: | | | | |
| CCCS | \$ 34,405 | \$ - | \$ - | \$ 34,405 |
| Head Start | 5,218,723 | 205,707 | - | 5,424,430 |
| State Child Development Programs | 2,838,686 | - | - | 2,838,686 |
| USDA | 12,166 | - | - | 12,166 |
| CSBG | 187,542 | - | - | 187,542 |
| CARES NC | - | 3,255 | - | 3,255 |
| RELIEF NC | - | 2,170 | - | 2,170 |
| Family Self-Sufficiency | 1,453 | - | - | 1,453 |
| Early Head Start Partnership | 51,120 | - | - | 51,120 |
| Home Investment Partnership Program | 672,148 | - | - | 672,148 |
| Weatherization | 56,769 | 12,762 | - | 69,531 |
| Ways and Means | 20,500 | - | - | 20,500 |
| Second Harvest Food Bank | 1,764,280 | 757,647 | - | 2,521,927 |
| Weatherization - ARRA | 141,324 | - | - | 141,324 |
| Corporate | 619,684 | - | - | 619,684 |
| | <u>11,618,800</u> | <u>981,541</u> | <u>-</u> | <u>12,600,341</u> |
| Accumulated depreciation | 5,247,915 | <u>\$ 513,443</u> | <u>\$ -</u> | 5,761,358 |
| Net book value | <u>\$ 6,370,885</u> | | | <u>\$ 6,838,983</u> |

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 6—Long-term debt

Long-term debt at December 31, 2020 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. \$ 315,513

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. 339,575

655,088

Less current portion 112,786

\$ 542,302

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

| <u>Years Ending December 31,</u> | <u>Food Distribution Center</u> | <u>Southern Avenue Mortgage</u> | <u>Total</u> |
|----------------------------------|---|---|-------------------|
| 2021 | \$ 46,320 | \$ 66,466 | \$ 112,786 |
| 2022 | 49,094 | 69,668 | 118,762 |
| 2023 | 52,034 | 73,025 | 125,059 |
| 2024 | 55,112 | 76,529 | 131,641 |
| 2025 | 61,950 | 29,825 | 91,775 |
| Thereafter | 75,065 | - | 75,065 |
| | <u>\$ 339,575</u> | <u>\$ 315,513</u> | <u>\$ 655,088</u> |

Interest expense for the year ended December 31, 2020 was approximately \$31,569.

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 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, 2020.

ACTION PATHWAYS, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020 was \$247,396.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2020 are as follows:

Years Ending December 31,

| | | |
|------|----|---------------|
| 2021 | \$ | 9,168 |
| 2022 | | 3,423 |
| 2023 | | 3,423 |
| 2024 | | 856 |
| | \$ | <u>16,870</u> |

Note 9—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

| | | |
|--------------------------------------|----|------------------|
| Early Childhood Development programs | \$ | 1,091 |
| Community Services programs | | 1,406,884 |
| Low Income Housing programs | | 32,882 |
| | \$ | <u>1,440,857</u> |

Note 10—Contingencies

The Organization receives funds from several federal and state grants, which are approximately 66% 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 \$127,217 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.

On January 30, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay at home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally. While it is unknown how long these conditions will last and what the complete financial impact will be, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

Note 11—Subsequent events

The Organization has evaluated subsequent events through June 22, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ACTION PATHWAYS, INC.
COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP
ALL PROGRAMS

DECEMBER 31, 2020

| | Program Services | | | Supporting Services | | | |
|---|-----------------------------------|-----------------------|-----------------------|-------------------------------------|------------------------------|-----------------------|----------------------|
| | Early Childhood Development | Community Services | Low Income Housing | Management and Administration | Property and Equipment | Eliminations | Total |
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash | \$ 1,207,270 | \$ 6,656,504 | \$ 89,053 | \$ 786,922 | \$ - | \$ (5,051,850) | \$ 3,687,899 |
| Investments | - | - | - | 982,543 | - | - | 982,543 |
| Accounts receivable | 131,702 | 5,776 | 46,237 | 84,880 | - | - | 268,595 |
| Grants receivable | 5,375,916 | 340,565 | 252,405 | - | - | - | 5,968,886 |
| Inventories | 4,107 | - | - | 6,917 | - | - | 11,024 |
| Prepaid expenses | 47,822 | 27,702 | 7,550 | - | - | - | 83,074 |
| Security deposits | 2,000 | 4,812 | 838 | 57 | - | - | 7,707 |
| Property and equipment | - | - | - | - | 6,838,983 | - | 6,838,983 |
| Other Assets: | | | | | | | |
| Due from other funds | 9,657 | 38,970 | - | 324 | - | (48,951) | - |
| Total Assets | \$ 6,778,474 | \$ 7,074,329 | \$ 396,083 | \$ 1,861,643 | \$ 6,838,983 | \$ (5,100,801) | \$ 17,848,711 |
| LIABILITIES AND NET ASSETS | | | | | | | |
| Current Liabilities: | | | | | | | |
| Temporary bank overdraft payable | \$ 4,913,203 | \$ 1,041 | \$ 137,606 | \$ - | \$ - | \$ (5,051,850) | \$ - |
| Current portion of long-term debt | - | - | - | - | 112,786 | - | 112,786 |
| Accounts payable | 228,067 | 414,591 | 34,568 | 44,830 | - | - | 722,056 |
| Accrued salaries | 183,019 | 22,504 | 14,386 | 30,163 | - | - | 250,072 |
| Accrued vacation | 124,536 | 23,232 | 21,941 | 48,499 | - | - | 218,208 |
| Grant refunds payable | 10,366 | 89,735 | 27,116 | - | - | - | 127,217 |
| Deferred revenue | - | 1,594,234 | - | - | - | - | 1,594,234 |
| Long-Term Liabilities: | | | | | | | |
| Long-term debt | - | - | - | - | 542,302 | - | 542,302 |
| Due to other funds | - | 38,970 | 9,981 | - | - | (48,951) | - |
| Total Liabilities | 5,459,191 | 2,184,307 | 245,598 | 123,492 | 655,088 | (5,100,801) | 3,566,875 |
| Net Assets: | | | | | | | |
| Without donor restrictions | 1,318,192 | 3,483,138 | 117,603 | 1,738,151 | 6,183,895 | - | 12,840,979 |
| With donor restrictions | 1,091 | 1,406,884 | 32,882 | - | - | - | 1,440,857 |
| Total Net Assets | 1,319,283 | 4,890,022 | 150,485 | 1,738,151 | 6,183,895 | - | 14,281,836 |
| Total Liabilities and Net Assets | \$ 6,778,474 | \$ 7,074,329 | \$ 396,083 | \$ 1,861,643 | \$ 6,838,983 | \$ (5,100,801) | \$ 17,848,711 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP
ALL PROGRAMS***YEAR ENDED DECEMBER 31, 2020*

| | Program Services | | | Supporting Services | | | |
|-----------------------------------|-----------------------------------|-----------------------|-----------------------|-------------------------------------|------------------------------|--------------|--------------|
| | Early Childhood Development | Community Services | Low Income Housing | Management and Administration | Property and Equipment | Eliminations | Total |
| Public Support and Revenues: | | | | | | | |
| Contributions | \$ - | \$ 1,694,207 | \$ - | \$ - | \$ - | \$ - | \$ 1,694,207 |
| Grant Assistance: | | | | | | | |
| Federal and Federal pass-through | 10,507,071 | 1,206,267 | - | - | - | - | 11,713,338 |
| State | 169,265 | 2,898,346 | 2,058,392 | - | - | - | 5,126,003 |
| Local | - | 12,750 | - | - | - | - | 12,750 |
| Other | - | 3,112,930 | - | - | - | - | 3,112,930 |
| Other Revenues: | | | | | | | |
| Program fees | 782,676 | 173,805 | 8,550 | - | - | - | 965,031 |
| Contract services | - | - | 312,382 | - | - | - | 312,382 |
| Rent | - | - | 48,653 | - | - | - | 48,653 |
| Indirect | - | - | - | 1,352,982 | - | (1,352,982) | - |
| Investment income | - | 4,815 | - | 137,593 | - | - | 142,408 |
| Local match | 840,266 | 36,960 | - | - | - | (25,309) | 851,917 |
| Other | 27,113 | 34 | 18,092 | 4,800 | 1,095,829 | (1,095,829) | 50,039 |
| Total Public Support and Revenues | 12,326,391 | 9,140,114 | 2,446,069 | 1,495,375 | 1,095,829 | (2,474,120) | 24,029,658 |
| Expenditures: | | | | | | | |
| Salaries and wages | 5,142,479 | 771,777 | 360,606 | 827,713 | - | - | 7,102,575 |
| Employee taxes and benefits | 1,904,449 | 224,754 | 109,132 | 212,067 | - | - | 2,450,402 |
| Travel | 13,526 | 6,520 | 686 | 2,866 | - | - | 23,598 |
| Property and equipment | 193,484 | 807,807 | 13,302 | 367 | - | - | 1,014,960 |
| Mortgage payments | 80,376 | 65,481 | - | - | - | - | 145,857 |
| Supplies | 205,748 | 185,040 | 31,841 | 14,082 | - | - | 436,711 |
| Contractual | 1,069,679 | 144,108 | 640,761 | 133,429 | - | - | 1,987,977 |
| Communications | 198,101 | 93,427 | 18,210 | 22,152 | - | - | 331,890 |
| Leases | 141,029 | 59,468 | 36,831 | 10,068 | - | - | 247,396 |
| Rentals | 11,106 | 1,666 | 651 | 5,527 | - | - | 18,950 |
| Insurance | 81,553 | 8,176 | 6,365 | 17,611 | - | - | 113,705 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP (CONTINUED)**
ALL PROGRAMS*YEAR ENDED DECEMBER 31, 2020*

| | Program Services | | | Supporting Services | | | |
|---|-----------------------------------|-----------------------|-----------------------|-------------------------------------|------------------------------|--------------|--------------|
| | Early Childhood Development | Community Services | Low Income Housing | Management and Administration | Property and Equipment | Eliminations | Total |
| Expenditures (continued): | | | | | | | |
| Repairs and maintenance | \$ 162,141 | \$ 74,532 | \$ 64,457 | \$ 43,457 | \$ - | \$ - | \$ 344,587 |
| Client assistance | 296 | 573,343 | 1,064,426 | - | - | - | 1,638,065 |
| Food purchases | 148,103 | 1,990,841 | - | 705 | - | - | 2,139,649 |
| Depreciation | - | - | - | - | 513,443 | (513,443) | - |
| Local match - noncash | 840,266 | - | - | - | - | (25,309) | 814,957 |
| Indirect | 1,127,881 | 152,075 | 73,026 | - | - | (1,352,982) | - |
| Other | 617,716 | 348,461 | 66,659 | 63,263 | - | - | 1,096,099 |
| Loss on disposal of assets | - | - | - | - | - | - | - |
| Total Expenditures | 11,937,933 | 5,507,476 | 2,486,953 | 1,353,307 | 513,443 | (1,891,734) | 19,907,378 |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | - |
| Change in net assets before adjustments to convert to expenses to GAAP | 388,458 | 3,632,638 | (40,884) | 142,068 | 582,386 | (582,386) | 4,122,280 |
| Adjustments to Convert to Expenses to GAAP: | | | | | | | |
| Deduct property and equipment purchases | (205,707) | (763,072) | (12,763) | - | - | - | (981,542) |
| Deduct mortgage principal payments | (63,795) | (50,493) | - | - | - | - | (114,288) |
| Add depreciation expense | 333,263 | 153,036 | 12,598 | 14,546 | - | - | 513,443 |
| Total Expenses | 12,001,694 | 4,846,947 | 2,486,788 | 1,367,853 | 513,443 | (1,891,734) | 19,324,991 |
| Change in net assets after adjustments to convert to GAAP | \$ 324,697 | \$ 4,293,167 | \$ (40,719) | \$ 127,522 | \$ 582,386 | \$ (582,386) | \$ 4,704,667 |

ACTION PATHWAYS, INC.
**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
ALL PROGRAMS**

YEAR ENDED DECEMBER 31, 2020

| | Program Services | | | Supporting Services | | | |
|---|-----------------------------------|-----------------------|-----------------------|-------------------------------------|------------------------------|----------------|--------------|
| | Early Childhood Development | Community Services | Low Income Housing | Management and Administrative | Property and Equipment | Eliminations | Total |
| Cash flows from operating activities: | | | | | | | |
| Change in net assets before adjustments to GAAP | \$ 388,458 | \$ 3,632,638 | \$ (40,884) | \$ 142,068 | \$ 582,386 | \$ (582,386) | \$ 4,122,280 |
| Adjustments to reconcile change in net assets from operating activities: | | | | | | | |
| Realized and unrealized loss on investments | - | - | - | (124,098) | - | - | (124,098) |
| (Increase) decrease in operating assets: | | | | | | | |
| Accounts receivable | (34,699) | 74,446 | (1,610) | 18,616 | - | - | 56,753 |
| Grants receivable | (2,630,382) | 70,943 | 8,004 | - | - | - | (2,551,435) |
| Inventory | - | - | - | (6,917) | - | - | (6,917) |
| Prepaid expenses | 24,926 | (12,117) | 1,603 | 19,147 | - | - | 33,559 |
| Due from other funds | 603 | - | - | 30,068 | - | - | 30,671 |
| Increase (decrease) in operating liabilities: | | | | | | | |
| Temporary bank overdraft payable | 3,203,698 | (52,076) | (901) | - | - | (3,150,721) | - |
| Accounts payable | (676,158) | 304,557 | (26,994) | (35,871) | - | - | (434,466) |
| Accrued salaries | 37,736 | 9,877 | 4,663 | 8,219 | - | - | 60,495 |
| Accrued vacation | 12,356 | (4,832) | (2,075) | 6,012 | - | - | 11,461 |
| Grants refunds payable | - | - | - | - | - | - | - |
| Deferred revenue | - | 1,503,338 | - | - | - | - | 1,503,338 |
| Due to other funds | - | - | (30,670) | - | - | - | (30,670) |
| Net cash flows from operating activities | 326,538 | 5,526,774 | (88,864) | 57,244 | 582,386 | (3,733,107) | 2,670,971 |
| Cash flows to investing activities: | | | | | | | |
| Proceeds from sale of investments | - | - | - | 908,047 | - | - | 908,047 |
| Purchase of investments | - | - | - | (915,182) | - | - | (915,182) |
| Net cash flows from investing activities | - | - | - | (7,135) | - | - | (7,135) |
| Net change in cash before adjustments to GAAP | 326,538 | 5,526,774 | (88,864) | 50,109 | 582,386 | (3,733,107) | 2,663,836 |
| Adjustments to convert to expenses to GAAP: | | | | | | | |
| Deduct property and equipment purchases | - | - | - | - | (981,542) | 981,542 | - |
| Deduct mortgage principal payments | - | - | - | - | (114,287) | 114,287 | - |
| Add depreciation expense | - | - | - | - | 513,443 | (513,443) | - |
| Total Adjustments | - | - | - | - | (582,386) | 582,386 | - |
| Net change in cash | 326,538 | 5,526,774 | (88,864) | 50,109 | - | (3,150,721) | 2,663,836 |
| Cash, beginning of year | 880,732 | 1,129,730 | 177,917 | 736,813 | - | (1,901,129) | 1,024,063 |
| Cash, end of year | \$ 1,207,270 | \$ 6,656,504 | \$ 89,053 | \$ 786,922 | \$ - | \$ (5,051,850) | \$ 3,687,899 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***DECEMBER 31, 2020*

| | Head Start Program | Early Head Start Partnership Program | Child Nutrition Program | State Child Development Program | Total |
|---|-----------------------|---|-------------------------------|---------------------------------------|---------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ - | \$ - | \$ 23 | \$ 1,207,247 | \$ 1,207,270 |
| Accounts receivable | - | - | - | 131,702 | 131,702 |
| Grants receivable | 4,876,704 | 499,212 | - | - | 5,375,916 |
| Inventories | - | - | 4,107 | - | 4,107 |
| Prepaid expenses | 43,279 | 780 | 883 | 2,880 | 47,822 |
| Security deposits | 2,000 | - | - | - | 2,000 |
| Property and equipment | - | - | - | - | - |
| Other Assets: | | | | | |
| Due from other funds | 2,287 | - | - | 7,370 | 9,657 |
| Total Assets | \$ 4,924,270 | \$ 499,992 | \$ 5,013 | \$ 1,349,199 | \$ 6,778,474 |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Temporary bank overdraft payable | \$ 4,513,892 | \$ 399,311 | \$ - | \$ - | 4,913,203 |
| Accounts payable | 134,636 | 84,109 | 2,387 | 6,935 | 228,067 |
| Accrued salaries | 166,217 | 8,626 | - | 8,176 | 183,019 |
| Accrued vacation | 108,434 | 7,946 | 2,626 | 5,530 | 124,536 |
| Grant refunds payable | - | - | - | 10,366 | 10,366 |
| Total Liabilities | 4,923,179 | 499,992 | 5,013 | 31,007 | 5,459,191 |
| Net Assets: | | | | | |
| Without donor restrictions | - | - | - | 1,318,192 | 1,318,192 |
| With donor restrictions | 1,091 | - | - | - | 1,091 |
| Total Net Assets | 1,091 | - | - | 1,318,192 | 1,319,283 |
| Total Liabilities and Net Assets | \$ 4,924,270 | \$ 499,992 | \$ 5,013 | \$ 1,349,199 | \$ 6,778,474 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***YEAR ENDED DECEMBER 31, 2020*

| | Head Start Program | Early Head Start Partnership Program | Child Nutrition Program | State Child Development Program | Total |
|--|-----------------------|---|-------------------------------|---------------------------------------|---------------|
| Public Support and Revenues: | | | | | |
| Federal and Federal pass-through | \$ 9,128,678 | \$ 1,378,393 | \$ - | \$ - | \$ 10,507,071 |
| State | - | - | 169,265 | - | 169,265 |
| Other Revenues: | | | | | |
| Program fees | - | - | 16,476 | 766,200 | 782,676 |
| Contract services | - | - | - | - | - |
| Local match | 837,443 | 2,823 | - | - | 840,266 |
| Other | 26,083 | 1,000 | - | 30 | 27,113 |
| Total Public Support and Revenues | 9,992,204 | 1,382,216 | 185,741 | 766,230 | 12,326,391 |
| Expenditures: | | | | | |
| Salaries and wages | 4,696,180 | 252,040 | 32,475 | 161,784 | 5,142,479 |
| Employee taxes and benefits | 1,717,444 | 76,746 | 11,426 | 98,833 | 1,904,449 |
| Travel | 6,960 | 6,566 | - | - | 13,526 |
| Property and equipment | 193,484 | - | - | - | 193,484 |
| Mortgage payments | 80,376 | - | - | - | 80,376 |
| Supplies | 163,155 | 28,122 | 11,620 | 2,851 | 205,748 |
| Contractual | 150,805 | 915,664 | 1,696 | 1,514 | 1,069,679 |
| Communications | 182,629 | 5,596 | 342 | 9,534 | 198,101 |
| Leases | 127,031 | 9,134 | 19 | 4,845 | 141,029 |
| Rentals | 5,763 | 304 | 23 | 5,016 | 11,106 |
| Insurance | 79,308 | 878 | 158 | 1,209 | 81,553 |
| Repairs and maintenance | 156,094 | 477 | 394 | 5,176 | 162,141 |
| Client assistance | - | - | - | 296 | 296 |
| Food purchases | 33,797 | 2 | 114,293 | 11 | 148,103 |
| Local match | 837,443 | 2,823 | - | - | 840,266 |
| Indirect | 1,019,082 | 52,240 | 6,975 | 49,584 | 1,127,881 |
| Other | 542,653 | 31,624 | 6,320 | 37,119 | 617,716 |
| Total Expenditures | 9,992,204 | 1,382,216 | 185,741 | 377,772 | 11,937,933 |
| Change in net assets before adjustments to convert to GAAP | \$ - | \$ - | \$ - | \$ 388,458 | \$ 388,458 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
EARLY CHILDHOOD DEVELOPMENT PROGRAMS***YEAR ENDED DECEMBER 31, 2020*

| | Head Start Program | Early Head Start Partnership Program | Child Nutrition Program | State Child Development Program | Total |
|---|-----------------------|---|-------------------------------|---------------------------------------|--------------|
| Cash flows from operating activities: | | | | | |
| Change in net assets before adjustments to convert to GAAP | \$ - | \$ - | \$ - | \$ 388,458 | \$ 388,458 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | | |
| (Increase) decrease in operating assets: | | | | | |
| Accounts receivable | 33,506 | 6 | 6 | (68,217) | (34,699) |
| Grants receivable | (2,525,859) | (328,003) | 223,480 | - | (2,630,382) |
| Prepaid expenses | 19,406 | 2,560 | (58) | 3,018 | 24,926 |
| Due from other funds | - | - | - | 603 | 603 |
| Increase (decrease) in operating liabilities: | | | | | |
| Temporary bank overdraft payable | 3,104,413 | 317,181 | (217,896) | - | 3,203,698 |
| Accounts payable | (682,668) | 3,862 | (492) | 3,140 | (676,158) |
| Accrued salaries | 39,133 | 2,329 | (4,397) | 671 | 37,736 |
| Accrued vacation | 12,069 | 2,065 | (620) | (1,158) | 12,356 |
| Net cash flows from operating activities | - | - | 23 | 326,515 | 326,538 |
| Net change in cash | - | - | 23 | 326,515 | 326,538 |
| Cash, beginning of year | - | - | - | 880,732 | 880,732 |
| Cash, end of year | \$ - | \$ - | \$ 23 | \$ 1,207,247 | \$ 1,207,270 |

ACTION PATHWAYS, INC.
**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP
COMMUNITY SERVICE PROGRAMS**

DECEMBER 31, 2020

| | Community Services Block Grant Program | CARES NC | Relief NC | Special Grants | Second Harvest Food Bank of Southeast NC | Reentry | Consumer Credit Counseling Services | Total |
|---|---|-------------------|------------------|------------------|---|----------------|--|---------------------|
| ASSETS | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash | \$ 136,875 | \$ 222,329 | \$ 44,472 | \$ 23,706 | \$ 5,996,761 | \$ - | \$ 232,361 | \$ 6,656,504 |
| Accounts receivable | - | - | 174 | - | 3,652 | - | 1,950 | 5,776 |
| Grants receivable | 5,100 | - | - | - | 335,465 | - | - | 340,565 |
| Prepaid expenses | 3,537 | 750 | 750 | - | 22,665 | - | - | 27,702 |
| Security deposits | 4,812 | - | - | - | - | - | - | 4,812 |
| Other Assets: | | | | | | | | |
| Due from other funds | 38,970 | - | - | - | - | - | - | 38,970 |
| Total Assets | \$ 189,294 | \$ 223,079 | \$ 45,396 | \$ 23,706 | \$ 6,358,543 | \$ - | \$ 234,311 | \$ 7,074,329 |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Temporary bank overdraft payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,041 | \$ - | \$ 1,041 |
| Accounts payable | 8,444 | 227 | - | - | 405,920 | - | - | 414,591 |
| Accrued salaries | 5,788 | 2,408 | - | - | 14,308 | - | - | 22,504 |
| Accrued vacation | 4,423 | 447 | - | - | 18,362 | - | - | 23,232 |
| Grant refunds payable | 80,969 | - | - | - | 8,766 | - | - | 89,735 |
| Deferred revenue | - | 219,997 | 45,396 | 12,628 | 1,316,213 | - | - | 1,594,234 |
| Long-Term Liabilities: | | | | | | | | |
| Due to other funds | - | - | - | - | 38,970 | - | - | 38,970 |
| Total Liabilities | 99,624 | 223,079 | 45,396 | 12,628 | 1,802,539 | 1,041 | - | 2,184,307 |
| Net Assets: | | | | | | | | |
| Without donor restrictions | - | - | - | 10,078 | 3,239,790 | (1,041) | 234,311 | 3,483,138 |
| With donor restrictions | 89,670 | - | - | 1,000 | 1,316,214 | - | - | 1,406,884 |
| Total Net Assets | 89,670 | - | - | 11,078 | 4,556,004 | (1,041) | 234,311 | 4,890,022 |
| Total Liabilities and Net Assets | \$ 189,294 | \$ 223,079 | \$ 45,396 | \$ 23,706 | \$ 6,358,543 | \$ - | \$ 234,311 | \$ 7,074,329 |

ACTION PATHWAYS, INC.

COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP COMMUNITY SERVICE PROGRAMS

YEAR ENDED DECEMBER 31, 2020

| | Community Services Block Grant Program | CARES NC | Relief NC | Special Grants | Second Harvest Food Bank of Southeast NC | Reentry | Consumer Credit Counseling Services | Total |
|---|---|----------|-----------|----------------|---|---------|--|--------------|
| Public Support and Revenues: | | | | | | | | |
| Contributions | \$ - | \$ - | \$ - | \$ 632 | \$ 1,693,575 | \$ - | \$ - | 1,694,207 |
| Grant Assistance: | | | | | | | | |
| Federal and Federal pass-through | 735,523 | 436,528 | 34,216 | - | - | - | - | 1,206,267 |
| State | - | - | - | - | 2,898,346 | - | - | 2,898,346 |
| Local | - | - | - | - | 12,750 | - | - | 12,750 |
| Other | - | - | - | - | 3,112,930 | - | - | 3,112,930 |
| Other Revenues: | | | | | | | | |
| Program fees | - | - | - | - | 173,805 | - | - | 173,805 |
| Rent | - | - | - | - | - | - | - | - |
| Interest | 6 | - | - | - | 4,800 | - | 9 | 4,815 |
| Indirect | - | - | - | - | - | - | - | - |
| Local Match | - | - | - | - | 36,960 | - | - | 36,960 |
| Other | - | - | - | - | 34 | - | - | 34 |
| Total Public Support and Revenues | 735,529 | 436,528 | 34,216 | 632 | 7,933,200 | - | 9 | 9,140,114 |
| Expenditures: | | | | | | | | |
| Salaries and wages | 236,273 | 59,714 | 4,065 | 1,800 | 469,925 | - | - | 771,777 |
| Employee taxes and benefits | 75,870 | 7,123 | 539 | 116 | 141,106 | - | - | 224,754 |
| Travel | 4,968 | - | - | - | 1,552 | - | - | 6,520 |
| Property and equipment | 36,079 | 3,255 | 2,170 | - | 766,303 | - | - | 807,807 |
| Mortgage payments | - | - | - | - | 65,481 | - | - | 65,481 |
| Supplies | 16,818 | 2,694 | 811 | - | 164,717 | - | - | 185,040 |
| Contractual | 7,909 | 15,417 | 35 | - | 120,747 | - | - | 144,108 |
| Communications | 14,198 | 148 | 15 | 48 | 79,018 | - | - | 93,427 |
| Leases | 38,987 | 2,775 | 2,775 | - | 14,931 | - | - | 59,468 |
| Rentals | 43 | - | - | - | 1,623 | - | - | 1,666 |
| Insurance | 947 | - | - | - | 7,229 | - | - | 8,176 |
| Repairs and maintenance | 3,668 | - | - | - | 70,864 | - | - | 74,532 |
| Client assistance | 223,621 | 328,285 | 21,437 | - | - | - | - | 573,343 |
| Food purchases | - | - | - | - | 1,990,841 | - | - | 1,990,841 |
| Other | 32,591 | 6,731 | 1,654 | 637 | 306,814 | - | 34 | 348,461 |
| Local match | - | - | - | - | - | - | - | - |
| Indirect | 43,557 | 10,386 | 715 | - | 97,417 | - | - | 152,075 |
| Total Expenditures | 735,529 | 436,528 | 34,216 | 2,601 | 4,298,568 | - | 34 | 5,507,476 |
| Change in net assets before adjustments to convert to GAAP | \$ - | \$ - | \$ - | \$ (1,969) | \$ 3,634,632 | \$ - | \$ (25) | \$ 3,632,638 |

ACTION PATHWAYS, INC.
**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
COMMUNITY SERVICE PROGRAMS**

YEAR ENDED DECEMBER 31, 2020

| | Community Services Block Grant Program | CARES NC | Relief NC | Special Grants | Second Harvest Food Bank of Southeast NC | Reentry | Consumer Credit Counseling Services | Total |
|---|---|-------------------|------------------|------------------|---|-------------|--|---------------------|
| Cash flows from operating activities: | | | | | | | | |
| Change in net assets before adjustments to convert to expenses to GAAP | \$ - | \$ - | \$ - | \$ (1,969) | \$ 3,634,632 | \$ - | \$ (25) | \$ 3,632,638 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | | | | | |
| (Increase) decrease in operating assets: | | | | | | | | |
| Accounts receivable | 15 | - | (174) | - | 74,605 | - | - | 74,446 |
| Grants receivable | (5,100) | - | - | - | 23,967 | 52,076 | - | 70,943 |
| Prepaid expenses | 4,305 | (750) | (750) | - | (14,922) | - | - | (12,117) |
| Increase (decrease) in operating liabilities: | | | | | | | | |
| Temporary bank overdraft payable | - | - | - | - | - | (52,076) | - | (52,076) |
| Accounts payable | 1,677 | 227 | - | - | 302,653 | - | - | 304,557 |
| Accrued salaries | 1,030 | 2,408 | - | - | 6,439 | - | - | 9,877 |
| Accrued vacation | (77) | 447 | - | - | (5,202) | - | - | (4,832) |
| Grant refunds payable | 1 | - | - | - | (1) | - | - | - |
| Deferred revenue | - | 219,997 | 45,396 | 12,628 | 1,225,317 | - | - | 1,503,338 |
| Net cash flows from operating activities | 1,851 | 222,329 | 44,472 | 10,659 | 5,247,488 | - | (25) | 5,526,774 |
| Net change in cash | 1,851 | 222,329 | 44,472 | 10,659 | 5,247,488 | - | (25) | 5,526,774 |
| Cash, beginning of year | 135,024 | - | - | 13,047 | 749,273 | - | 232,386 | 1,129,730 |
| Cash, end of year | <u>\$ 136,875</u> | <u>\$ 222,329</u> | <u>\$ 44,472</u> | <u>\$ 23,706</u> | <u>\$ 5,996,761</u> | <u>\$ -</u> | <u>\$ 232,361</u> | <u>\$ 6,656,504</u> |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF FINANCIAL POSITION – NON-GAAP
LOW INCOME HOUSING PROGRAMS***DECEMBER 31, 2020*

| | Weatherization Program | Duke Energy Helping Home Fund | BlueCross BlueShield Healthy Home Initiative | Affordable Housing | Total |
|---|-----------------------------------|--|---|-------------------------------|-------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ - | \$ 45,116 | \$ 2,961 | \$ 40,976 | \$ 89,053 |
| Accounts receivable | - | - | 36,869 | 9,368 | 46,237 |
| Grants receivable | 252,405 | - | - | - | 252,405 |
| Prepaid expenses | 6,903 | 323 | 324 | - | 7,550 |
| Security deposits | 838 | - | - | - | 838 |
| Total Assets | \$ 260,146 | \$ 45,439 | \$ 40,154 | \$ 50,344 | \$ 396,083 |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Temporary bank overdraft payable | \$ 137,606 | \$ - | \$ - | \$ - | \$ 137,606 |
| Accounts payable | 26,291 | 5,624 | 2,653 | - | 34,568 |
| Accrued salaries | 14,310 | 76 | - | - | 14,386 |
| Accrued vacation | 21,941 | - | - | - | 21,941 |
| Grant refunds payable | 27,116 | - | - | - | 27,116 |
| Deferred revenue | - | - | - | - | - |
| Long-Term Liabilities: | | | | | |
| Due to other funds | - | - | - | 9,981 | 9,981 |
| Total Liabilities | 227,264 | 5,700 | 2,653 | 9,981 | 245,598 |
| Net Assets: | | | | | |
| Without donor restrictions | - | 39,739 | 37,501 | 40,363 | 117,603 |
| With donor restrictions | 32,882 | - | - | - | 32,882 |
| Total Net Assets | 32,882 | 39,739 | 37,501 | 40,363 | 150,485 |
| Total Liabilities and Net Assets | \$ 260,146 | \$ 45,439 | \$ 40,154 | \$ 50,344 | \$ 396,083 |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP
LOW INCOME HOUSING PROGRAMS***YEAR ENDED DECEMBER 31, 2020*

| | Weatherization Program | Duke Energy Helping Home Fund | BlueCross BlueShield Healthy Home Initiative | Affordable Housing | Total |
|---|-----------------------------------|--|---|-------------------------------|--------------------|
| Public Support and Revenues: | | | | | |
| Grant Assistance: | | | | | |
| Federal and Federal pass-through | \$ - | \$ - | \$ - | \$ - | \$ - |
| State | 2,058,392 | - | - | - | 2,058,392 |
| Other Revenues: | | | | | |
| Program fees | 8,550 | - | - | - | 8,550 |
| Contract services | - | 198,641 | 113,741 | - | 312,382 |
| Rent | - | - | - | 48,653 | 48,653 |
| Other | - | 9,933 | 8,159 | - | 18,092 |
| Total Public Support and Revenues | <u>2,066,942</u> | <u>208,574</u> | <u>121,900</u> | <u>48,653</u> | <u>2,446,069</u> |
| Expenditures: | | | | | |
| Salaries and wages | 353,330 | 6,362 | 773 | 141 | 360,606 |
| Employee taxes and benefits | 108,332 | 489 | 291 | 20 | 109,132 |
| Travel | 686 | - | - | - | 686 |
| Property and equipment | 13,302 | - | - | - | 13,302 |
| Supplies | 31,722 | 119 | - | - | 31,841 |
| Contractual | 565,245 | 50,668 | 17,897 | 6,951 | 640,761 |
| Communications | 18,159 | 8 | 43 | - | 18,210 |
| Leases | 36,831 | - | - | - | 36,831 |
| Rentals | 651 | - | - | - | 651 |
| Insurance | 5,715 | - | - | 650 | 6,365 |
| Repairs and maintenance | 6,881 | 416 | - | 57,160 | 64,457 |
| Client assistance | 798,870 | 130,960 | 118,306 | 16,290 | 1,064,426 |
| Indirect | 71,742 | 1,089 | 169 | 26 | 73,026 |
| Other | 55,476 | 3,755 | 25 | 7,403 | 66,659 |
| Total Expenditures | <u>2,066,942</u> | <u>193,866</u> | <u>137,504</u> | <u>88,641</u> | <u>2,486,953</u> |
| Change in net assets before adjustments to convert to GAAP | <u>\$ -</u> | <u>\$ 14,708</u> | <u>\$ (15,604)</u> | <u>\$ (39,988)</u> | <u>\$ (40,884)</u> |

ACTION PATHWAYS, INC.**COMBINING STATEMENT OF CASH FLOWS – NON-GAAP
LOW INCOME HOUSING PROGRAMS***YEAR ENDED DECEMBER 31, 2020*

| | Weatherization Program | Duke Energy Helping Home Fund | BlueCross BlueShield Healthy Home Initiative | Affordable Housing | Total |
|---|-----------------------------------|--|---|-------------------------------|--------------|
| Cash flows from operating activities: | | | | | |
| Change in net assets before adjustments to convert expenses to GAAP | \$ - | \$ 14,708 | \$ (15,604) | \$ (39,988) | \$ (40,884) |
| Adjustments to reconcile increase in net assets to net cash flows from operating activities: | | | | | |
| (Increase) decrease in operating assets: | | | | | |
| Accounts receivable | 18 | - | 2,811 | (4,439) | (1,610) |
| Grants receivable | 8,004 | - | - | - | 8,004 |
| Prepaid expenses | 1,602 | (323) | (324) | 648 | 1,603 |
| Increase (decrease) in operating liabilities: | | | | | |
| Temporary overdraft payable | (901) | - | - | - | (901) |
| Accounts payable | (11,235) | (2,565) | (10,622) | (2,572) | (26,994) |
| Accrued salaries | 4,587 | 76 | - | - | 4,663 |
| Accrued vacation | (2,075) | - | - | - | (2,075) |
| Due to other funds | - | - | - | (30,670) | (30,670) |
| Net cash flows from operating activities | - | 11,896 | (23,739) | (77,021) | (88,864) |
| Net change in cash | - | 11,896 | (23,739) | (77,021) | (88,864) |
| Cash, beginning of year | - | 33,220 | 26,700 | 117,997 | 177,917 |
| Cash, end of year | \$ - | \$ 45,116 | \$ 2,961 | \$ 40,976 | \$ 89,053 |

ACTION PATHWAYS, INC.**STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET
ASSETS – NON-GAAP
HEAD START PROGRAM GRANT NUMBER 04-CH2139/49***YEAR ENDED DECEMBER 31, 2020*

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) | \$ 5,991,030 |
| Training and technical assistance (PA-20) | 14,111 |
| Early program (PA-25) | 3,101,275 |
| Training and technical assistance (PA-21) | 3,632 |
| COVID - 19 (G040900) | 18,630 |

| | |
|-------------------------|------------------|
| Total Government Grants | <u>9,128,678</u> |
|-------------------------|------------------|

Other Revenues and Public Support:

| | |
|--|---------|
| USDA reimbursement grants | 169,265 |
| Grantees non-federal share - budget amount | 837,443 |
| USDA adult lunch revenues | 16,476 |
| Child care reimbursement | 60 |
| Other | 26,023 |

| | |
|---|------------------|
| Total Other Revenues and Public Support | <u>1,049,267</u> |
|---|------------------|

| | |
|-----------------------------------|-------------------|
| Total Public Support and Revenues | <u>10,177,945</u> |
|-----------------------------------|-------------------|

Expenditures:**Government Grants:****Head Start - full year, part day (PA-22):****Direct costs:**

| | |
|---|-----------|
| Salaries and wages | 2,781,325 |
| Fringe benefits | 1,241,731 |
| Equipment | 192,766 |
| Expendable equipment and equipment rental | 31,011 |
| Supplies | 90,248 |
| Contractual and space costs | 602,983 |
| Other | 437,804 |

| | |
|----------|-----------|
| Subtotal | 5,377,868 |
|----------|-----------|

| | |
|----------------|----------------|
| Indirect costs | <u>639,246</u> |
|----------------|----------------|

| | |
|-------|------------------|
| Total | <u>6,017,114</u> |
|-------|------------------|

Training and Technical Assistance (PA-20):**Direct Costs:**

| | |
|--------|---------------|
| Travel | <u>14,111</u> |
|--------|---------------|

Early Program (PA-25):**Direct Costs:**

| | |
|---|-----------|
| Salaries and wages | 1,914,856 |
| Fringe benefits | 475,713 |
| Expendable equipment and equipment rental | 16,064 |
| Supplies | 54,277 |
| Contractual and space costs | 230,928 |
| Other | 29,600 |

| | |
|----------|-----------|
| Subtotal | 2,721,438 |
|----------|-----------|

| | |
|----------------|----------------|
| Indirect costs | <u>379,836</u> |
|----------------|----------------|

| | |
|-------|------------------|
| Total | <u>3,101,274</u> |
|-------|------------------|

ACTION PATHWAYS, INC.
**STATEMENT OF PUBLIC SUPPORT, REVENUES, EXPENDITURES, AND CHANGE IN NET
 ASSETS – NON-GAAP (CONTINUED)
 HEAD START PROGRAM GRANT NUMBER 04-CH2139/49**

YEAR ENDED DECEMBER 31, 2020

| | |
|--|------------|
| Training and Technical Assistance (PA-21): | |
| Direct Costs: | |
| Travel | 3,632 |
| COVID - 19 (G044125) | |
| Direct Costs: | |
| Supplies | 18,630 |
| Total | 18,630 |
| Total Head Start | 9,154,761 |
| Other Expenditures: | |
| USDA Reimbursement Funds: | |
| Direct Costs: | |
| Salaries and wages | 32,475 |
| Fringe benefits | 11,425 |
| Supplies | 11,021 |
| Contractual and space costs | 3,693 |
| Other | 120,152 |
| Subtotal | 178,766 |
| Indirect costs | 6,975 |
| Total USDA | 185,741 |
| Public Support: | |
| Head Start - full year, part day (PA-22): | |
| In-kind contributions (see note below) | 738,046 |
| Head Start Early (PA-25): | |
| In-kind contributions (see note below) | 99,397 |
| Total Public Support | 837,443 |
| Total Expenditures | 10,177,945 |
| Change in net assets | - |
| Net assets, beginning of year | 1,091 |
| Net assets, end of year | \$ 1,091 |
| Analysis of Net Assets: | |
| With Donor Restrictions: | |
| NC Transition Grant | \$ 1,091 |

Head Start Administrative Costs Calculation:

Administrative costs divided by grant revenue \$1,124,292/\$10,177,946 = 11.05%

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-GAAP****COMMUNITY SERVICES BLOCK GRANT CONTRACT NUMBER 32184 AND 33627***PERIOD ENDING JUNE 30, 2020 AND 2021*

| | Grant Period Ending June 30, 2020¹ | Grant Period Ending June 30, 2021² | Total |
|--|--|--|---------------------------|
| Public Support, Government Grants, and Revenues: | | | |
| Direct - donations | \$ - | \$ - | \$ - |
| Interest income | 6 | - | 6 |
| Government Grants: | | | |
| Federal pass-through | 360,974 | 286,113 | 647,087 |
| Total Public Support, Government Grants, and Revenues | <u>360,980</u> | <u>286,113</u> | <u>647,093</u> |
| Expenditures: | | | |
| Direct Costs: | | | |
| Salaries and wages | 155,179 | 81,094 | 236,273 |
| Fringe benefits | 42,987 | 32,883 | 75,870 |
| Communications | 9,577 | 8,003 | 17,580 |
| Space costs | 23,899 | 28,408 | 52,307 |
| Travel | 7,739 | 5,682 | 13,421 |
| Contractual | 10,130 | 3,665 | 13,795 |
| Supplies and materials | 10,521 | 6,297 | 16,818 |
| Client services | 122,371 | 101,250 | 223,621 |
| Equipment | 36,076 | - | 36,076 |
| Other | 5,089 | 1,119 | 6,208 |
| Subtotal | <u>423,571</u> | <u>268,401</u> | <u>691,969</u> |
| Indirect costs | <u>25,847</u> | <u>17,712</u> | <u>43,559</u> |
| Total Expenditures | <u>449,418</u> | <u>286,113</u> | <u>735,528</u> |
| Change in net assets | (88,438) | - | (88,435) |
| Net assets, beginning of year | - | - | - |
| Net assets, end of year | <u><u>\$ (88,438)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (88,435)</u></u> |
| Analysis of Net Assets: | | | |
| CSBG programs | \$ (88,438) | \$ - | \$ (88,438) |
| Nongrant funds - without donor restrictions | - | - | - |
| | <u><u>\$ (88,438)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (88,438)</u></u> |

¹ Reports the 6 month period from January 1, 2020 to June 30, 2020² Reports the 6 month period from July 1, 2020 to December 31, 2020

ACTION PATHWAYS, INC.

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

SIX MONTHS ENDED DECEMBER 31, 2019 AND JUNE 30, 2020

| | Six Months Ended December 31, 2019 | Six Months Ended June 30, 2020 | Total | Budget | Variance Favorable (Unfavorable) |
|---|--|--------------------------------------|---------|-----------|--|
| Public Support, Government Grants, and Revenues: | | | | | |
| Donations | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest income | 19 | 6 | 25 | - | 25 |
| Government Grants: | | | | | |
| Federal pass-through | 493,520 | 360,974 | 854,494 | 1,366,564 | (512,070) |
| Total Public Support, Government Grants, and Revenues | 493,539 | 360,980 | 854,519 | 1,366,564 | (512,045) |
| Expenditures: | | | | | |
| Direct Costs: | | | | | |
| Salaries and wages | 107,176 | 155,179 | 262,355 | 456,313 | 193,958 |
| Fringe benefits | 29,604 | 42,987 | 72,591 | 160,272 | 87,681 |
| Communications | 8,785 | 9,577 | 18,362 | 26,026 | 7,664 |
| Space costs | 26,997 | 23,899 | 50,896 | 59,432 | 8,536 |
| Travel | 15,727 | 7,739 | 23,466 | 91,374 | 67,908 |
| Contractual | 7,092 | 10,130 | 17,222 | 26,942 | 9,720 |
| Supplies and materials | 4,880 | 10,521 | 15,401 | 15,800 | 399 |
| Client Services | 176,514 | 122,371 | 298,885 | 383,500 | 84,615 |
| Equipment | - | 36,079 | 36,079 | 40,000 | 3,921 |
| Other | 5,807 | 5,089 | 10,896 | 17,500 | 6,604 |
| Subtotal | 382,582 | 423,571 | 806,153 | 1,277,159 | 471,006 |
| Indirect costs | 22,521 | 25,845 | 48,366 | 89,405 | 41,039 |
| Total Expenditures | 405,103 | 449,416 | 854,519 | 1,366,564 | 512,045 |
| Change in net assets | 88,436 | (88,436) | - | \$ - | \$ - |
| Net assets, beginning of year | - | - | - | | |
| Net assets, end of year | \$ 88,436 | \$ (88,436) | \$ - | | |
| Analysis of Net Assets: | | | | | |
| Nongrant funds - With Donor Restrictions | \$ - | \$ - | \$ - | | |
| Total Analysis of Net Assets | \$ - | \$ - | \$ - | | |

ACTION PATHWAYS, INC.

**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –
BUDGET AND ACTUAL – NON-GAAP
COMMUNITY SERVICES BLOCK GRANT, CONTRACT NUMBER 40440**

YEAR ENDED DECEMBER 31, 2020

(GRANT PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021)

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------|---------------|---|
| Public Support, Government Grants, and Revenues: | | | |
| Direct - donations | \$ - | \$ - | \$ - |
| Interest income | - | - | - |
| Government Grants: | | | |
| Federal pass through | 1,433,280 | 374,549 | (1,058,731) |
| Public Support, Government Grants, and Revenues | 1,433,280 | 374,549 | (1,058,731) |
| Expenditures: | | | |
| Direct Costs: | | | |
| Salaries and wages | 401,995 | 81,094 | 320,901 |
| Fringe benefits | 131,552 | 32,883 | 98,669 |
| Communications | 31,017 | 8,003 | 23,014 |
| Space costs | 71,797 | 28,408 | 43,389 |
| Travel | 40,086 | 5,682 | 34,404 |
| Contractual | 19,542 | 3,665 | 15,877 |
| Supplies and materials | 47,951 | 6,297 | 41,654 |
| Client services | 598,296 | 101,250 | 497,046 |
| Other | 14,000 | 1,119 | 12,881 |
| Subtotal | 1,356,236 | 268,401 | 1,087,835 |
| Indirect costs | 77,044 | 17,712 | 59,332 |
| Total Expenditures | 1,433,280 | 286,113 | 1,147,167 |
| 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 –
BUDGET AND ACTUAL – NON-GAAP****COMMUNITY SERVICES BLOCK GRANT, CARES NC, CONTRACT NUMBER 40893***YEAR ENDED DECEMBER 31, 2020**(GRANT PERIOD JULY 1, 2020 THROUGH SEPTEMBER 30, 2022)*

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------|---------------|---|
| Public Support, Government Grants, and Revenues: | | | |
| Direct - donations | \$ - | \$ - | \$ - |
| Interest income | - | - | - |
| Government Grants: | | | |
| Federal pass-through | 1,154,496 | 436,528 | (717,968) |
| Public Support, Government Grants, and Revenues | 1,154,496 | 436,528 | (717,968) |
| Expenditures: | | | |
| Direct Costs: | | | |
| Salaries and wages | 257,143 | 75,131 | 182,012 |
| Fringe benefits | 81,414 | 7,123 | 74,291 |
| Communications | 14,607 | 148 | 14,459 |
| Space costs | 29,700 | 3,198 | 26,502 |
| Travel | 8,884 | 3,077 | 5,807 |
| Contractual | 2,721 | 231 | 2,490 |
| Supplies and materials | 12,783 | 2,693 | 10,090 |
| Client services | 689,188 | 328,286 | 360,902 |
| Equipment | 3,600 | 3,255 | 345 |
| Other | 5,569 | 3,000 | 2,569 |
| Subtotal | 1,105,609 | 426,142 | 679,467 |
| Indirect cost | 48,887 | 10,386 | 38,501 |
| Total Expenditures | 1,154,496 | 436,528 | 717,968 |
| Change in net assets | \$ - | - | \$ - |
| Net assets, July 1, 2019 | | - | |
| Net assets, December 31, 2019 | | \$ - | |
| Analysis of Net Assets: | | | |
| CSBG programs | | \$ - | |
| Nongrant funds - Without Donor Restrictions | | - | |
| Total Net Assets | | \$ - | |

ACTION PATHWAYS, INC.**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –
BUDGET AND ACTUAL – NON-GAAP****COMMUNITY SERVICES BLOCK GRANT, RELIEF NC, CONTRACT NUMBER 40731***YEAR ENDED DECEMBER 31, 2020**(GRANT PERIOD JULY 1, 2020 THROUGH SEPTEMBER 30, 2022)*

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------|---------------|---|
| Public Support, Government Grants, and Revenues: | | | |
| Direct - donations | \$ - | \$ - | \$ - |
| Interest income | - | - | - |
| Government Grants: | | | |
| Federal pass-through | 432,729 | 34,216 | (398,513) |
| Public Support, Government Grants, and Revenues | 432,729 | 34,216 | (398,513) |
| Expenditures: | | | |
| Direct Costs: | | | |
| Salaries and wages | 91,871 | 4,065 | 87,806 |
| Fringe benefits | 2,938 | 539 | 2,399 |
| Communications | 6,612 | 15 | 6,597 |
| Space costs | 14,100 | 3,198 | 10,902 |
| Travel | 10,613 | 1,125 | 9,488 |
| Contractual | 1,615 | 83 | 1,532 |
| Supplies and materials | 15,600 | 811 | 14,789 |
| Client services | 282,500 | 21,436 | 261,064 |
| Equipment | 2,400 | 2,170 | 230 |
| Other | 2,728 | 59 | 2,669 |
| Subtotal | 430,977 | 33,501 | 397,476 |
| Indirect costs | 1,752 | 715 | 1,037 |
| Total Expenditures | 432,729 | 34,216 | 398,513 |
| Change in net assets | \$ - | - | \$ - |
| Net assets, July 1, 2019 | | - | |
| Net assets, December 31, 2019 | | \$ - | |
| Analysis of Net Assets: | | | |
| CSBG programs | | \$ - | |
| Nongrant funds - Without Donor Restrictions | | - | |
| Total Net Assets | | \$ - | |

ACTION PATHWAYS, INC.**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP
WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514***SIX MONTHS ENDED DECEMBER 31, 2019 AND JUNE 30, 2020*

| | Six Months Ended December 31, 2019 | Six Months Ended June 30, 2020 | Total | Budget | Variance Favorable (Unfavorable) |
|---|---|---|----------------|----------------|---|
| WEATHERIZATION: | | | | | |
| Public Support, Government Grants, and Revenues: | | | | | |
| Landlord contributions | \$ - | \$ 275 | \$ 275 | \$ - | \$ 275 |
| Grant Funds: | | | | | |
| Total grant | 204,185 | 355,467 | 559,652 | 660,890 | (101,238) |
| Reduction for unexpended grant funds | - | - | - | - | - |
| Total Public Support, Government Grants, and Revenues | <u>204,185</u> | <u>355,742</u> | <u>559,927</u> | <u>660,890</u> | <u>(100,963)</u> |
| Expenditures: | | | | | |
| Administration | 9,208 | 13,788 | 22,996 | 30,516 | 7,520 |
| Training and technical assistance | 21,316 | 19,153 | 40,469 | 66,426 | 25,957 |
| Health and safety | 29,423 | 60,257 | 89,680 | 90,480 | 800 |
| Program operations | <u>144,238</u> | <u>262,544</u> | <u>406,782</u> | <u>473,468</u> | <u>66,686</u> |
| Total Expenditures | <u>204,185</u> | <u>355,742</u> | <u>559,927</u> | <u>660,890</u> | <u>100,963</u> |
| Change in Net Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| HARRP: | | | | | |
| Public Support, Government Grants, and Revenues: | | | | | |
| Landlord contributions | \$ - | \$ 7,725 | \$ 7,725 | \$ - | \$ 7,725 |
| Grant Funds: | | | | | |
| Total grant | 304,032 | 336,948 | 640,980 | 671,085 | (30,105) |
| Reduction for unexpended grant funds | - | - | - | - | - |
| Total Public Support, Government Grants, and Revenues | <u>304,032</u> | <u>344,673</u> | <u>648,705</u> | <u>671,085</u> | <u>(22,380)</u> |
| Expenditures: | | | | | |
| Administration | 5,601 | 3,128 | 8,729 | 31,109 | 22,380 |
| Program operations | <u>298,431</u> | <u>341,545</u> | <u>639,976</u> | <u>639,976</u> | <u>-</u> |
| Total Expenditures | <u>304,032</u> | <u>344,673</u> | <u>648,705</u> | <u>671,085</u> | <u>22,380</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-GAAP (CONTINUED)**
WEATHERIZATION, HARRP, AND LIHEAP PROGRAMS CONTRACT NUMBER 6514*SIX MONTHS ENDED DECEMBER 31, 2019 AND JUNE 30, 2020*

| | Six Months Ended December 31, 2019 | Six Months Ended June 30, 2020 | Total | Budget | Variance Favorable (Unfavorable) |
|---|---|---|----------------|------------------|---|
| LIHEAP: | | | | | |
| Public Support, Government Grants, and Revenues: | | | | | |
| Landlord contributions | \$ 275 | \$ 275 | \$ 550 | \$ - | \$ 550 |
| Grant Funds: | | | | | |
| Total grant | 487,394 | 438,729 | 926,123 | 1,056,090 | (129,967) |
| Reduction for unexpended grant funds | - | - | - | - | - |
| Total Public Support, Government Grants, and Revenues | <u>487,669</u> | <u>439,004</u> | <u>926,673</u> | <u>1,056,090</u> | <u>129,417</u> |
| Expenditures: | | | | | |
| Administration | 20,395 | 18,276 | 38,671 | 58,136 | 19,465 |
| Program operations | 384,520 | 366,850 | 751,370 | 845,724 | 94,354 |
| Health & Safety | <u>82,754</u> | <u>53,878</u> | <u>136,632</u> | <u>152,230</u> | <u>15,598</u> |
| Total Expenditures | <u>487,669</u> | <u>439,004</u> | <u>926,673</u> | <u>1,056,090</u> | <u>129,417</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-GAAP****SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***DECEMBER 31, 2020***ASSETS**

Current Assets:

| | |
|---------------------|--------------|
| Cash | \$ 5,996,761 |
| Accounts receivable | 3,652 |
| Grants receivable | 335,465 |
| Prepaid expenses | 22,665 |

Total Assets\$ 6,358,543**LIABILITIES AND NET ASSETS**

Current Liabilities:

| | |
|-----------------------|------------|
| Accounts payable | \$ 405,920 |
| Accrued salaries | 14,308 |
| Accrued vacation | 18,362 |
| Grant refunds payable | 8,766 |
| Deferred revenue | 1,316,213 |

Long-Term Liabilities:

| | |
|--------------------|------------------|
| Due to other funds | <u>38,970</u> |
| Total Liabilities | <u>1,802,539</u> |

Net Assets:

| | |
|----------------------------|------------------|
| Without donor restrictions | 3,239,790 |
| Temporarily restricted | <u>1,316,214</u> |
| Total Net Assets | <u>4,556,004</u> |

Total Liabilities and Net Assets\$ 6,358,543

ACTION PATHWAYS, INC.**STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES –
NON-GAAP****SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2020*

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

| | |
|----------------------------------|------------------|
| Federal and federal pass-through | \$ 2,579,076 |
| State | 356,230 |
| Local | 12,750 |
| Other | 3,112,930 |
| Total Grants Assistance | <u>6,060,986</u> |

Donations:

| | |
|-----------------|-------------------|
| Cash | 1,693,575 |
| Food | 25,589,609 |
| Total Donations | <u>27,283,184</u> |

Fees:

| | |
|--------------------|----------------|
| Shared maintenance | 160,485 |
| Dues | 8,120 |
| Total Fees | <u>168,605</u> |

Other

| | |
|-----------------------------------|-------------------|
| | <u>10,034</u> |
| Total Public Support and Revenues | <u>33,522,809</u> |

Expenditures:**Administration:**

| | |
|-----------------------|----------------|
| Personnel | 70,489 |
| Payroll taxes | 6,943 |
| Fringe benefits | 15,072 |
| Supplies | 1,271 |
| Contractual and space | 8,975 |
| Indirect | 11,511 |
| Other | 97,417 |
| Total Administration | <u>211,678</u> |

ACTION PATHWAYS, INC.**STATEMENT OF PUBLIC SUPPORT AND REVENUE AND FUNCTIONAL EXPENDITURES –
NON-GAAP (CONTINUED)
SECOND HARVEST FOOD BANK OF SOUTHEAST NC (UNAUDITED)***YEAR ENDED DECEMBER 31, 2020*

Expenditures (continued):**Operating:**

| | |
|----------------------------|-------------------|
| Personnel | \$ 352,444 |
| Payroll taxes | 28,833 |
| Fringe benefits | 76,147 |
| Travel | 1,552 |
| Supplies | 146,972 |
| Contractual and space | 158,631 |
| Food purchases | 1,990,841 |
| Donated food - distributed | 23,357,925 |
| Spoilage | 100,316 |
| Other | 1,196,458 |
| Total Operating | <u>27,410,119</u> |

Fundraising:

| | |
|--------------------------|---------------------|
| Personnel | 46,993 |
| Payroll taxes | 3,975 |
| Fringe benefits | 10,136 |
| Supplies | 16,472 |
| Contractual and space | 18,623 |
| Other | 38,813 |
| Total Fundraising | <u>135,012</u> |
| Total Expenditures | <u>27,756,809</u> |
| Adjustment to Net Assets | <u>\$ 5,766,000</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, 2020, 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 22, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Chemy Bekaert LLP

Fayetteville, North Carolina
June 22, 2021

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, 2020. 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, 2020.

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.

Cherny Bekaert LLP

Fayetteville, North Carolina
June 22, 2021

ACTION PATHWAYS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

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> |
|--------------------|---|
| 21.019 | Coronavirus Relief Fund |
| 93.569 | Community Services Block Grant |
| 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, 2020

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, 2020

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, 2020

| Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Federal and State Expenditures | In-Kind Program Income and Other Local Expenditures |
|---|------------------------------------|---|--|
| U.S. Department of Health and Human Services: | | | |
| Passed through N.C. Department of Health and Human Services | | | |
| Coronavirus Relief Funds | 21.019 | \$ 1,792,376 | \$ - |
| Head Start | 93.600 | 9,154,761 | 837,443 |
| Early Head Start Child Care Partnership | 93.600 | 1,379,392 | 2,823 |
| Passed through N.C. Department of Health and Human Services | | | |
| Community Services Block Grant | 93.569 | 735,529 | 5 |
| COVID 19 - Community Services Block Grant - CARES NC | 93.569 | 436,528 | - |
| COVID 19 - Community Services Block Grant - RELIEF NC | 93.569 | 34,216 | - |
| Low-Income Home Energy Assistance Program - Heating and | | | |
| Air Repair and Replacement Program | 93.568 | 894,299 | 275 |
| Low-Income Home Energy Assistance Program - Weatherization | 93.568 | 647,483 | 7,725 |
| Total Department of Health and Human Services | | <u>15,074,584</u> | <u>848,271</u> |
| U.S. Department of Agriculture: | | | |
| Passed through N.C. Department of Health and Human Services: | | | |
| Child and Adult Care Food Program | 10.558 | <u>169,265</u> | <u>-</u> |
| Emergency Food Assistance Cluster | | | |
| Noncash Assistance (Food commodities) | | | |
| Passed through N.C. Department of Agriculture | | | |
| Commodity Supplemental Food Program (Food commodities) | 10.565 | 298,426 | - |
| Emergency Food Assistance Program (Food commodities) | 10.569 | 7,584,253 | - |
| COVID 19 - Emergency Food Assistance Program (Food commodities) - CARES | 10.569 | 614,989 | - |
| COVID 19- Emergency Food Assistance Program (Food commodities) - RELIEF | 10.569 | 168,257 | - |
| Noncash Assistance | | <u>8,665,925</u> | <u>-</u> |
| Cash Assistance: | | | |
| Passed through N.C. Department of Health and Human Services | | | |
| Commodity Senior Food Program (Administrative costs) | 10.568 | 97,558 | - |
| Emergency Food Assistance Program (Administrative costs) | 10.568 | <u>274,332</u> | <u>-</u> |
| Cash Assistance | | <u>371,890</u> | |
| Total Emergency Food Assistance Cluster | | <u>9,037,815</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | <u>9,207,080</u> | <u>-</u> |
| U.S. Department of Energy: | | | |
| Weatherization Assistance Program for Low Income Persons | 81.042 | <u>516,610</u> | <u>550</u> |
| Total U.S. Department of Energy | | <u>516,610</u> | <u>550</u> |
| Total Expenditures of Federal Awards | | <u>24,798,274</u> | <u>848,821</u> |
| State of N.C. Grant Programs: | | | |
| State Nutrition Assistance Grant | Contract # 34645 | <u>551,753</u> | <u>36,960</u> |
| Total Expenditures of State Awards | | <u>551,753</u> | <u>36,960</u> |
| Total Expenditures of Federal and State Awards | | <u>\$ 25,350,027</u> | <u>\$ 885,781</u> |

ACTION PATHWAYS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 \$840,266. Donated services not meeting the provisions of GAAP (those not requiring specific expertise), valued at \$25,309 for the year ended December 31, 2020 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, 2020, the Organization had food commodities totaling \$910,237 in inventory.

Note 4—Indirect costs

During the year ended December 31, 2020, the Organization did not elect to use the 10% de minimis cost rate for charging indirect costs to the grants.