

**ACTION PATHWAYS, INC.  
FAYETTEVILLE, NORTH CAROLINA**

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

*As of and for the Year Ended December 31, 2021  
(With Comparative Totals for December 31, 2020)*

*And Reports of Independent Auditor*

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## Report of Independent Auditor

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

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Action Pathways, Inc. (the “Organization”), which comprise the statement of financial position as of December 31, 2021, 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.

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, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management 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, and for 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.

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

#### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We previously audited the Organization's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 22, 2021. In our opinion, the summarized comparative information herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Supplementary 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.

### **Other Information**

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 23, 2022, 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 the effectiveness of the Organization's 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.

Chemy Bekaert LLP

Raleigh, North Carolina  
June 23, 2022

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

DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 7,567,593	\$ 3,687,899
Investments	1,095,074	982,543
Accounts receivable	369,718	268,595
Grants receivable	3,461,045	5,968,886
Inventories	7,695	11,024
Prepaid expenses	95,941	83,074
Security deposits	7,707	7,707
Total Current Assets	<u>12,604,773</u>	<u>11,009,728</u>
Property and equipment, net	<u>6,420,045</u>	<u>6,838,983</u>
<b>Total Assets</b>	<u><u>\$ 19,024,818</u></u>	<u><u>\$ 17,848,711</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 118,762	\$ 112,786
Accounts payable	1,139,837	722,056
Accrued salaries	206,151	250,072
Accrued vacation	155,503	218,208
Grant refunds payable	144,786	127,217
Deferred revenue	147,380	1,594,234
Total Current Liabilities	<u>1,912,419</u>	<u>3,024,573</u>
Long-Term Liabilities:		
Noncurrent portion of long-term debt	<u>409,793</u>	<u>542,302</u>
Total Liabilities	<u>2,322,212</u>	<u>3,566,875</u>
Net Assets:		
Without donor restrictions	16,321,829	12,840,979
With donor restrictions	380,777	1,440,857
Total Net Assets	<u>16,702,606</u>	<u>14,281,836</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 19,024,818</u></u>	<u><u>\$ 17,848,711</u></u>

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

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

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<b>Public Support and Revenues:</b>				
Contributions	\$ 893,537	\$ -	\$ 893,537	\$ 1,694,207
Federal financial assistance	11,977,037	1,433,109	13,410,146	11,713,338
State financial assistance	2,234,120	173,594	2,407,714	5,126,003
Local grants	72,176	-	72,176	12,750
Other grants	1,524,362	169,000	1,693,362	3,112,930
Donated services, materials, and space	177,612	-	177,612	851,917
Program fees and other	164,750	-	164,750	1,015,070
Contract services	894,963	-	894,963	312,382
Rent	82,689	-	82,689	48,653
Investment return, (net)	111,796	-	111,796	142,408
Total Public Support and Revenues	<u>18,133,042</u>	<u>1,775,703</u>	<u>19,908,745</u>	<u>24,029,658</u>
<b>Net Assets Released from Restrictions:</b>				
Satisfaction of program restrictions:				
Early Childhood Development	165,613	(165,613)	-	-
Community Services	2,670,170	(2,670,170)	-	-
Total Net Assets Released	<u>2,835,783</u>	<u>(2,835,783)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenues	<u>20,968,825</u>	<u>(1,060,080)</u>	<u>19,908,745</u>	<u>24,029,658</u>
<b>Expenses:</b>				
Program Services:				
Early Childhood Development	10,166,101	-	10,166,101	11,976,385
Community Services	4,935,327	-	4,935,327	4,846,947
Low Income Housing	2,311,518	-	2,311,518	2,486,788
Total Program Services	<u>17,412,946</u>	<u>-</u>	<u>17,412,946</u>	<u>19,310,120</u>
Supporting Services:				
Management and Administration	75,029	-	75,029	14,871
Total Supporting Services	<u>75,029</u>	<u>-</u>	<u>75,029</u>	<u>14,871</u>
Total Expenses	<u>17,487,975</u>	<u>-</u>	<u>17,487,975</u>	<u>19,324,991</u>
Increase (decrease) in net assets	3,480,850	(1,060,080)	2,420,770	4,704,667
Net assets, beginning of year	12,840,979	1,440,857	14,281,836	9,577,169
Net assets, end of year	<u>\$ 16,321,829</u>	<u>\$ 380,777</u>	<u>\$ 16,702,606</u>	<u>\$ 14,281,836</u>

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, 2021*  
*(WITH COMPARATIVE TOTALS FOR 2020)*

	Program Services			Supporting	2021	2020
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration		
Expenditures:						
Salaries and wages	\$ 4,094,098	\$ 781,534	\$ 338,863	\$ 760,072	\$ 5,974,567	\$ 7,102,575
Employee taxes and benefits	1,566,421	246,022	102,511	203,967	2,118,921	2,450,402
Travel	25,110	5,728	12,252	14,688	57,778	23,598
Property and equipment	267,060	-	1,956	460	269,476	45,641
Mortgage payments	13,410	8,638	-	-	22,048	31,569
Supplies	385,528	130,251	31,561	18,711	566,051	436,711
Contractual	1,158,737	342,526	674,109	207,901	2,383,273	1,987,977
Communications	98,485	91,394	14,434	21,388	225,701	331,890
Leases	149,021	79,060	39,707	8,656	276,444	247,396
Rentals	10,889	48,521	536	6,593	66,539	18,950
Insurance	185,976	543	3,528	24,862	214,909	113,705
Repairs and maintenance	102,204	184,120	38,211	55,424	379,959	332,365
Client assistance	-	988,595	881,677	41	1,870,313	1,638,065
Food purchases	98,843	1,283,350	-	1,328	1,383,521	2,139,649
Other	390,096	353,158	75,600	119,675	938,529	1,096,099
Depreciation	318,456	192,708	36,624	14,546	562,334	513,443
Local match	177,612	-	-	-	177,612	814,956
Indirect	1,124,155	199,179	59,949	(1,383,283)	-	-
Total Expenditures	<u>\$ 10,166,101</u>	<u>\$ 4,935,327</u>	<u>\$ 2,311,518</u>	<u>\$ 75,029</u>	<u>\$ 17,487,975</u>	<u>\$ 19,324,991</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, 2021*  
*(WITH COMPARATIVE TOTALS FOR 2020)*

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 2,420,770	\$ 4,704,667
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	562,334	513,443
Loss on disposal of fixed assets	8,113	-
Realized and unrealized gains on investments	(99,771)	(124,098)
(Increase) decrease in operating assets:		
Accounts receivable	(101,123)	56,753
Grants receivable	2,507,841	(2,551,435)
Inventories	3,329	(6,917)
Prepaid expenses	(10,450)	33,559
Increase (decrease) in operating liabilities:		
Accounts payable	417,781	(434,466)
Accrued salaries	(43,921)	60,495
Accrued vacation	(62,705)	11,461
Grant refunds payable	17,569	-
Deferred revenue	(1,449,269)	1,503,338
Net cash flows from operating activities	<u>4,170,498</u>	<u>3,766,800</u>
<b>Cash flows from investing activities:</b>		
Expended for property and equipment	(151,533)	(981,542)
Proceeds from sales of investments	425,899	908,047
Purchase of investments	(438,637)	(915,182)
Net cash flows from investing activities	<u>(164,271)</u>	<u>(988,677)</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(126,533)	(114,287)
Net cash flows from financing activities	<u>(126,533)</u>	<u>(114,287)</u>
Net change in cash	3,879,694	2,663,836
Cash, beginning of year	3,687,899	1,024,063
Cash, end of year	<u>\$ 7,567,593</u>	<u>\$ 3,687,899</u>
Supplemental disclosure of cash payments for interest	<u>\$ 22,048</u>	<u>\$ 31,569</u>

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

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

DECEMBER 31, 2021

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**Note 1—Nature of operations**

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

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

*Basis of Accounting* – The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements are presented in accordance with the 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 whereby 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 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 restrictions 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, 2021

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**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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

*Concentration of Risk* – The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. At December 31, 2021, the Organization’s cash balances exceeded the federally insured limit by a total of \$6,959,749.

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 4). Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets. 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 may provide an allowance for uncollectible accounts based on the allowance method using management’s judgment. As of December 31, 2021, the Organization does not believe any account or grant receivables are uncollectible and no allowance is deemed necessary.

*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, 2021

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**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, 2021, the Second Harvest Food Bank of Southeast North Carolina received approximately 10,133,141 pounds of donated food and distributed approximately 16,850,021 pounds of the donated food to member agencies. The donated food was valued at \$1.79 per pound and, therefore, amounts to \$18,138,322 received and \$19,838,996 distributed during the year. Of the \$19,838,996 distributed, \$5,400,048 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 U.S. GAAP (those not requiring specific expertise) for Head Start are eliminated for financial statement purposes. There was no local match to eliminate for the year ended December 31, 2021.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 38,913 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2021. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at \$1,075,166 for the year ended December 31, 2021 were not recorded for financial statement purposes.

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

DECEMBER 31, 2021

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

*Expense Allocation* – Management and general expenses are allocated to various programs based on an approved indirect cost allocation plan. The plan allocated these costs on the basis of direct labor costs including fringe benefits and donated services. The final rate for 2021, as determined by the Organization, is 15.90%.

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

*Retirement Plan* – The Organization has a retirement plan covering all employees. The plan is a contributory retirement plan. All eligible employees can begin contributing on the date of hire. The Organization will match the employee contributions up to 5% of their gross salaries for all full-time employees who have at least 120 days of uninterrupted employment and who elect to participate. The Organization does not contribute for non-contributing employees. Total cost during the year ended December 31, 2021 was \$117,529.

*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, 2021 was approximately \$51,346.

*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, 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 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.

**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, 2021

**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.*
- *Weatherization CARES – This program provides energy efficiency assistance to low-income persons, particularly those impacted by COVID-19.*
- *Weatherization ARPA– This program provides energy efficiency assistance to low-income persons, particularly those impacted by COVID-19.*

**Note 3—Liquidity and availability of resources**

As of December 31, 2021, 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	\$ 7,567,593
Investments	1,095,074
Accounts receivable	369,718
Grants receivable	3,461,045
	<u>12,493,430</u>
Less donor restrictions	<u>(380,777)</u>
Financial assets available to meet expenditures over the next 12 months	<u>\$ 12,112,653</u>

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

DECEMBER 31, 2021

**Note 3—Liquidity and availability of resources (continued)**

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of the Organization as well as the services undertaken to support those activities to be general expenditures.

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

**Note 4—Investments**

Investments are measured at fair value in the statement of financial position based on quoted market prices or other observable inputs, as applicable. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 19,893	\$ -	\$ 19,893
	<u>\$ -</u>	<u>\$ 19,893</u>	<u>\$ -</u>	19,893
Mutual funds*				1,075,181
				<u>\$ 1,095,074</u>

\*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, 2021

**Note 5—Property and equipment, net**

Property and equipment, net activity for the year ended December 31, 2021 was as follows:

	<b>December 31,</b>			<b>December 31,</b>
	<b>2020</b>			<b>2021</b>
	<b>Beginning</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending</b>
	<b>Balances</b>			<b>Balances</b>
By asset type:				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	3,369,234	-	18,255	3,350,979
Equipment, furniture, and fixtures	2,192,226	13,368	1,050	2,204,544
Buildings and improvements	6,529,149	138,165	-	6,667,314
	<u>\$ 12,600,341</u>	<u>\$ 151,533</u>	<u>\$ 19,305</u>	<u>\$ 12,732,569</u>
By functions:				
CCCS	\$ 34,405	\$ -	\$ -	\$ 34,405
Head Start	5,424,430	-	-	5,424,430
State Child Development Programs	2,838,686	-	-	2,838,686
USDA	12,166	-	-	12,166
CSBG	187,542	-	19,305	168,237
CARES NC	3,255	-	-	3,255
WAP ARPA	-	9,093	-	9,093
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	69,531	4,275	-	73,806
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	2,521,927	123,996	-	2,645,923
Weatherization - ARRA	141,324	-	-	141,324
Corporate	619,684	14,169	-	633,853
	<u>12,600,341</u>	<u>151,533</u>	<u>19,305</u>	<u>12,732,569</u>
Less accumulated depreciation	<u>(5,761,358)</u>	<u>\$ (562,334)</u>	<u>\$ 11,168</u>	<u>(6,312,524)</u>
Net property and equipment	<u>\$ 6,838,983</u>			<u>\$ 6,420,045</u>

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

DECEMBER 31, 2021

**Note 6—Long-term debt**

Long-term debt at December 31, 2021 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.	\$ 241,849
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.	286,706
	<u>528,555</u>
Less current portion	118,762
	<u>\$ 409,793</u>

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>
2022	\$ 49,094	\$ 69,668	\$ 118,762
2023	52,034	73,025	125,059
2024	55,112	76,529	131,641
2025	58,450	22,627	81,077
2026	61,950	-	61,950
Thereafter	10,066	-	10,066
	<u>\$ 286,706</u>	<u>\$ 241,849</u>	<u>\$ 528,555</u>

Interest expense for the year ended December 31, 2021 was approximately \$22,048.

**Note 7—Income taxes**

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

The Organization has evaluated the effect of U.S. GAAP guidance on Accounting for Uncertainty in Income Taxes. Management believes the Organization continues to satisfy the requirements of a tax-exempt organization and, therefore, had no uncertain income tax positions at December 31, 2021.

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

DECEMBER 31, 2021

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**Note 8—Leases**

The Organization is committed under several noncancelable operating leases for office space, Head Start Centers, and various equipment and vehicles. Additionally, certain facilities and equipment are leased on a month-to-month basis. Lease expense for the year ended December 31, 2021 was \$276,446.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2021 are as follows:

**Years Ending December 31,**

2022	\$ 29,147
2023	8,517
2024	2,677
2025	607
	<u>\$ 40,948</u>

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

Net assets with donor restrictions at December 31, 2021 are available for the following purposes:

Early Childhood Development programs	\$ 9,072
Community Services programs	338,823
Low Income Housing programs	32,882
	<u>\$ 380,777</u>

**Note 10—Contingencies**

The Organization receives funds from several federal and state grants, which are approximately 76% 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 \$147,786 has been made in these financial statements for refund of grant monies.

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

**Note 11—Subsequent events**

The Organization closed on the purchase of a new office location in June 2022 for a contract price of approximately \$3,600,000, which was completed through a combination of cash and a financing promissory note in the amount of \$1,608,625 with a local bank.

The Organization has evaluated subsequent events through June 23, 2022, 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, 2021

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
<b>ASSETS</b>							
Current Assets:							
Cash	\$ 1,876,800	\$ 7,290,137	\$ 143,321	\$ 697,566	\$ -	\$ (2,440,231)	\$ 7,567,593
Investments	-	-	-	1,095,074	-	-	1,095,074
Accounts receivable	71,788	14,158	51,300	232,472	-	-	369,718
Grants receivable	2,787,885	393,762	279,398	-	-	-	3,461,045
Inventories	7,695	-	-	-	-	-	7,695
Prepaid expenses	48,883	30,415	7,246	9,397	-	-	95,941
Security deposits	2,000	4,812	838	57	-	-	7,707
Property and equipment	-	-	-	-	6,420,045	-	6,420,045
Other Assets:							
Due from other funds	9,658	38,970	-	7,327	-	(55,955)	-
<b>Total Assets</b>	<b>\$ 4,804,709</b>	<b>\$ 7,772,254</b>	<b>\$ 482,103</b>	<b>\$ 2,041,893</b>	<b>\$ 6,420,045</b>	<b>\$ (2,496,186)</b>	<b>\$ 19,024,818</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Temporary bank overdraft payable	\$ 2,048,331	\$ 158,749	\$ 161,947	\$ 71,204	\$ -	\$ (2,440,231)	\$ -
Current portion of long-term debt	-	-	-	-	118,762	-	118,762
Accounts payable	599,401	399,712	40,415	100,309	-	-	1,139,837
Accrued salaries	133,983	29,751	13,111	29,306	-	-	206,151
Accrued vacation	44,909	27,248	26,976	56,370	-	-	155,503
Grant refunds payable	24,876	89,735	30,175	-	-	-	144,786
Deferred revenue	-	147,380	-	-	-	-	147,380
Long-Term Liabilities:							
Long-term debt	-	-	-	-	409,793	-	409,793
Due to other funds	-	38,970	16,985	-	-	(55,955)	-
<b>Total Liabilities</b>	<b>2,851,500</b>	<b>891,545</b>	<b>289,609</b>	<b>257,189</b>	<b>528,555</b>	<b>(2,496,186)</b>	<b>2,322,212</b>
Net Assets:							
Without donor restrictions	1,944,137	6,541,886	159,612	1,784,704	5,891,490	-	16,321,829
With donor restrictions	9,072	338,823	32,882	-	-	-	380,777
<b>Total Net Assets</b>	<b>1,953,209</b>	<b>6,880,709</b>	<b>192,494</b>	<b>1,784,704</b>	<b>5,891,490</b>	<b>-</b>	<b>16,702,606</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,804,709</b>	<b>\$ 7,772,254</b>	<b>\$ 482,103</b>	<b>\$ 2,041,893</b>	<b>\$ 6,420,045</b>	<b>\$ (2,496,186)</b>	<b>\$ 19,024,818</b>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
ALL PROGRAMS**

*YEAR ENDED DECEMBER 31, 2021*

	Program Services			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment	Eliminations	
Public Support and Revenues:							
Contributions	\$ 1,250	\$ 892,287	\$ -	\$ -	\$ -	\$ -	\$ 893,537
Grant Assistance:							
Federal and Federal pass-through	9,489,967	1,819,794	2,100,385	-	-	-	13,410,146
State	173,594	2,234,120	-	-	-	-	2,407,714
Local	-	72,176	-	-	-	-	72,176
Other	-	1,693,362	-	-	-	-	1,693,362
Other Revenues:							
Program fees	-	154,738	-	-	-	-	154,738
Contract services	712,800	38,000	144,163	-	-	-	894,963
Rent	-	4,800	77,889	-	-	-	82,689
Indirect	-	-	-	1,383,285	-	(1,383,285)	-
Investment income	-	5	-	111,791	-	-	111,796
Local match	177,612	-	-	-	-	-	177,612
Other	12	888	7,835	1,277	278,066	(278,066)	10,012
Total Public Support and Revenues	10,555,235	6,910,170	2,330,272	1,496,353	278,066	(1,661,351)	19,908,745
Expenditures:							
Salaries and wages	4,094,098	781,534	338,863	760,072	-	-	5,974,567
Employee taxes and benefits	1,566,421	246,022	102,511	203,967	-	-	2,118,921
Travel	25,110	5,728	12,252	14,688	-	-	57,778
Property and equipment	267,060	43,810	15,325	460	-	-	326,655
Mortgage payments	87,074	61,507	-	-	-	-	148,581
Supplies	385,528	130,251	31,561	18,711	-	-	566,051
Contractual	1,158,737	342,526	674,109	207,901	-	-	2,383,273
Communications	98,485	91,394	14,434	21,388	-	-	225,701
Leases	149,021	79,060	39,707	8,656	-	-	276,444
Rentals	10,889	48,521	536	6,593	-	-	66,539
Insurance	185,976	543	3,528	24,862	-	-	214,909

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
(CONTINUED)  
ALL PROGRAMS**

*YEAR ENDED DECEMBER 31, 2021*

	Program Services			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administration	Property and Equipment		
Expenditures (continued):							
Repairs and maintenance	\$ 102,204	\$ 264,305	\$ 38,211	\$ 69,593	\$ -	\$ -	\$ 474,313
Client assistance	-	988,595	881,677	41	-	-	1,870,313
Food purchases	98,843	1,283,350	-	1,328	-	-	1,383,521
Depreciation	-	-	-	-	562,358	(562,358)	-
Local match - noncash	177,612	-	-	-	-	-	177,612
Indirect	1,124,155	199,179	59,949	-	-	(1,383,283)	-
Other	390,096	353,158	75,600	119,675	-	-	938,529
Unrealized loss on investments	-	-	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	8,113	(8,113)	-
<b>Total Expenditures</b>	<b>9,921,309</b>	<b>4,919,483</b>	<b>2,288,263</b>	<b>1,457,935</b>	<b>570,471</b>	<b>(1,953,754)</b>	<b>17,203,707</b>
Change in net assets before adjustments to convert to expenses to GAAP	633,926	1,990,687	42,009	38,418	(292,405)	292,403	2,705,038
Adjustments to Convert to Expenses to GAAP:							
Deduct property and equipment purchases	-	(123,995)	(13,369)	(14,169)	-	-	(151,533)
Deduct mortgage principal payments	(73,664)	(52,869)	-	-	-	-	(126,533)
Add depreciation expense	318,456	192,708	36,624	14,546	-	-	562,334
<b>Total Expenses</b>	<b>10,166,101</b>	<b>4,935,327</b>	<b>2,311,518</b>	<b>1,458,312</b>	<b>570,471</b>	<b>(1,953,754)</b>	<b>17,487,975</b>
Change in net assets after adjustments to convert to GAAP	\$ 389,134	\$ 1,974,843	\$ 18,754	\$ 38,041	\$ (292,405)	\$ 292,403	\$ 2,420,770

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

YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Management and Administrative	Property and Equipment	Eliminations	
<b>Cash flows from operating activities:</b>							
Change in net assets before adjustments to GAAP	\$ 633,926	\$ 1,990,687	\$ 42,009	\$ 38,418	\$ (292,405)	\$ 292,405	\$ 2,705,040
Adjustments to reconcile change in net assets from operating activities:							
Loss on disposal of fixed assets	-	-	-	-	8,113	(8,113)	-
Realized and unrealized loss on investments	-	-	-	(99,771)	-	-	(99,771)
(Increase) decrease in operating assets:							
Accounts receivable	59,914	(8,382)	(5,063)	(147,592)	-	-	(101,123)
Grants receivable	2,588,031	(53,197)	(26,993)	-	-	-	2,507,841
Inventory	(3,588)	-	-	6,917	-	-	3,329
Prepaid expenses	(1,061)	(298)	306	(9,397)	-	-	(10,450)
Due from other funds	(1)	-	-	(7,003)	-	-	(7,004)
Increase (decrease) in operating liabilities:							
Temporary bank overdraft payable	(2,864,872)	157,708	24,341	71,204	-	2,611,619	-
Accounts payable	371,334	(14,879)	5,845	55,479	-	-	417,779
Accrued salaries	(49,036)	7,247	(1,275)	(857)	-	-	(43,921)
Accrued vacation	(79,627)	4,016	5,035	7,871	-	-	(62,705)
Grants refunds payable	14,510	-	3,059	-	-	-	17,569
Deferred revenue	-	(1,449,269)	-	-	-	-	(1,449,269)
Due to other funds	-	-	7,004	-	-	-	7,004
Net cash flows from operating activities	669,530	633,633	54,268	(84,731)	(284,292)	2,895,911	3,884,319
<b>Cash flows to investing activities:</b>							
Proceeds from sale of investments	-	-	-	435,148	-	-	435,148
Purchase of investments	-	-	-	(438,637)	-	-	(438,637)
Net cash flows from investing activities	-	-	-	(3,489)	-	-	(3,489)
Net change in cash before adjustments to GAAP	669,530	633,633	54,268	(88,220)	(284,292)	2,895,911	3,880,830
Adjustments to convert to expenses to GAAP:							
Deduct property and equipment purchases	-	-	-	-	(151,533)	151,533	-
Deduct mortgage principal payments	-	-	-	-	(126,533)	126,533	-
Add depreciation expense	-	-	-	-	562,358	(562,358)	-
Total Adjustments	-	-	-	-	284,292	(284,292)	-
Net change in cash	669,530	633,633	54,268	(88,220)	-	2,611,619	3,880,830
Cash, beginning of year	1,207,270	6,656,504	89,053	786,922	-	(5,051,850)	3,687,899
Cash, end of year	\$ 1,876,800	\$ 7,290,137	\$ 143,321	\$ 698,702	\$ -	\$ (2,440,231)	\$ 7,568,729



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

DECEMBER 31, 2021

	Head Start Program	Head Start Disaster	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
<b>ASSETS</b>						
Current Assets:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,876,800	\$ 1,876,800
Accounts receivable	-	-	-	-	71,788	71,788
Grants receivable	2,402,494	18,774	319,418	47,199	-	2,787,885
Inventories	-	-	-	7,695	-	7,695
Prepaid expenses	40,232	-	662	1,479	6,510	48,883
Security deposits	2,000	-	-	-	-	2,000
Property and equipment	-	-	-	-	-	-
Other Assets:						
Due from other funds	2,287	-	-	-	7,371	9,658
<b>Total Assets</b>	<b>\$ 2,447,013</b>	<b>\$ 18,774</b>	<b>\$ 320,080</b>	<b>\$ 56,373</b>	<b>\$ 1,962,469</b>	<b>\$ 4,804,709</b>
<b>LIABILITIES AND NET ASSETS</b>						
Current Liabilities:						
Temporary bank overdraft payable	\$ 1,751,147	\$ 16,659	\$ 270,173	\$ 10,352	\$ -	2,048,331
Accounts payable	541,055	-	35,769	20,141	2,436	599,401
Accrued salaries	123,126	2,115	5,409	3,333	-	133,983
Accrued vacation	30,594	-	8,729	56	5,530	44,909
Grant refunds payable	-	-	-	14,510	10,366	24,876
<b>Total Liabilities</b>	<b>2,445,922</b>	<b>18,774</b>	<b>320,080</b>	<b>48,392</b>	<b>18,332</b>	<b>2,851,500</b>
Net Assets:						
Without donor restrictions	-	-	-	-	1,944,137	1,944,137
With donor restrictions	1,091	-	-	7,981	-	9,072
<b>Total Net Assets</b>	<b>1,091</b>	<b>-</b>	<b>-</b>	<b>7,981</b>	<b>1,944,137</b>	<b>1,953,209</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,447,013</b>	<b>\$ 18,774</b>	<b>\$ 320,080</b>	<b>\$ 56,373</b>	<b>\$ 1,962,469</b>	<b>\$ 4,804,709</b>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
EARLY CHILDHOOD DEVELOPMENT PROGRAMS**

*YEAR ENDED DECEMBER 31, 2021*

	Head Start Program	Head Start Disaster	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Public Support and Revenues:						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ 1,250
Federal and Federal pass-through	8,226,241	53,384	1,210,342	-	-	9,489,967
State	-	-	-	173,594	-	173,594
Other Revenues:						
Program fees	-	-	-	-	-	-
Contract services	-	-	-	-	712,800	712,800
Local match	177,612	-	-	-	-	177,612
Other	12	-	-	-	-	12
<b>Total Public Support and Revenues</b>	<b>8,403,865</b>	<b>53,384</b>	<b>1,210,342</b>	<b>173,594</b>	<b>714,050</b>	<b>10,555,235</b>
Expenditures:						
Salaries and wages	3,826,077	36,391	171,393	30,621	29,616	4,094,098
Employee taxes and benefits	1,483,455	5,632	65,197	9,415	2,722	1,566,421
Travel	18,528	2,290	4,292	-	-	25,110
Property and equipment	266,954	-	72	-	34	267,060
Mortgage payments	87,074	-	-	-	-	87,074
Supplies	333,668	-	40,962	9,008	1,890	385,528
Contractual	296,905	-	855,064	5,733	1,035	1,158,737
Communications	90,181	214	6,056	870	1,164	98,485
Leases	139,709	-	9,267	45	-	149,021
Rentals	10,584	-	297	8	-	10,889
Insurance	185,976	-	-	-	-	185,976
Repairs and maintenance	99,837	-	715	1,652	-	102,204
Client assistance	-	-	-	-	-	-
Food purchases	1,266	-	-	97,577	-	98,843
Local match	177,612	-	-	-	-	177,612
Indirect	1,027,562	7,970	46,378	8,091	34,154	1,124,155
Other	358,477	887	10,649	2,593	17,490	390,096
<b>Total Expenditures</b>	<b>8,403,865</b>	<b>53,384</b>	<b>1,210,342</b>	<b>165,613</b>	<b>88,105</b>	<b>9,921,309</b>
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ 7,981	\$ 625,945	\$ 633,926

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

*YEAR ENDED DECEMBER 31, 2021*

	Head Start Program	Head Start Disaster	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
<b>Cash flows from operating activities:</b>						
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ 7,981	\$ 625,945	\$ 633,926
Adjustments to reconcile change in net assets to net cash flows from operating activities:						
(Increase) decrease in operating assets:						
Accounts receivable	-	-	-	-	59,914	59,914
Grants receivable	2,474,210	(18,774)	179,794	(47,199)	-	2,588,031
Inventories	-	-	-	(3,588)	-	(3,588)
Prepaid expenses	3,047	-	118	(596)	(3,630)	(1,061)
Due from other funds	-	-	-	-	(1)	(1)
Increase (decrease) in operating liabilities:						
Temporary bank overdraft payable	(2,762,745)	16,659	(129,138)	10,352	-	(2,864,872)
Accounts payable	406,419	-	(48,340)	17,754	(4,499)	371,334
Accrued salaries	(43,091)	2,115	(3,217)	3,333	(8,176)	(49,036)
Accrued vacation	(77,840)	-	783	(2,570)	-	(79,627)
Grant refunds payable	-	-	-	14,510	-	14,510
Net cash flows from operating activities	-	-	-	(23)	669,553	669,530
Net change in cash	-	-	-	(23)	669,553	669,530
Cash, beginning of year	-	-	-	23	1,207,247	1,207,270
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,876,800</u>	<u>\$ 1,876,800</u>

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

DECEMBER 31, 2021

	Community Services Block			Second Harvest Food Bank of Southeast NC		Consumer Credit Counseling Services		Total
	Grant Program	CARES NC	Relief NC	Special Grants	Reentry			
<b>ASSETS</b>								
Current Assets:								
Cash	\$ 18,140	\$ 205,234	\$ -	\$ 25,015	\$ 6,809,590	\$ -	\$ 232,158	\$ 7,290,137
Accounts receivable	-	-	-	-	12,208	-	1,950	14,158
Grants receivable	38,562	-	159,114	-	196,086	-	-	393,762
Prepaid expenses	5,873	1,282	1,470	-	21,790	-	-	30,415
Security deposits	4,812	-	-	-	-	-	-	4,812
Other Assets:								
Due from other funds	38,970	-	-	-	-	-	-	38,970
<b>Total Assets</b>	<b>\$ 106,357</b>	<b>\$ 206,516</b>	<b>\$ 160,584</b>	<b>\$ 25,015</b>	<b>\$ 7,039,674</b>	<b>\$ -</b>	<b>\$ 234,108</b>	<b>\$ 7,772,254</b>
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities:								
Temporary bank overdraft payable	\$ -	\$ -	\$ 157,708	\$ -	\$ -	\$ 1,041	\$ -	\$ 158,749
Accounts payable	7,331	1,853	1,303	-	389,225	-	-	399,712
Accrued salaries	11,091	3,603	1,573	-	13,484	-	-	29,751
Accrued vacation	5,730	447	-	-	21,071	-	-	27,248
Grant refunds payable	80,969	-	-	-	8,766	-	-	89,735
Deferred revenue	-	-	-	11,406	135,974	-	-	147,380
Long-Term Liabilities:								
Due to other funds	-	-	-	-	38,970	-	-	38,970
<b>Total Liabilities</b>	<b>105,121</b>	<b>5,903</b>	<b>160,584</b>	<b>11,406</b>	<b>607,490</b>	<b>1,041</b>	<b>-</b>	<b>891,545</b>
Net Assets:								
Without donor restrictions	-	-	-	12,609	6,296,210	(1,041)	234,108	6,541,886
With donor restrictions	1,236	200,613	-	1,000	135,974	-	-	338,823
<b>Total Net Assets</b>	<b>1,236</b>	<b>200,613</b>	<b>-</b>	<b>13,609</b>	<b>6,432,184</b>	<b>(1,041)</b>	<b>234,108</b>	<b>6,880,709</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 106,357</b>	<b>\$ 206,516</b>	<b>\$ 160,584</b>	<b>\$ 25,015</b>	<b>\$ 7,039,674</b>	<b>\$ -</b>	<b>\$ 234,108</b>	<b>\$ 7,772,254</b>

**ACTION PATHWAYS, INC.**

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

*YEAR ENDED DECEMBER 31, 2021*

	Community Services Block				Second Harvest	Consumer Credit Counseling Services		Total
	Grant Program	CARES NC	Relief NC	Special Grants	Food Bank of Southeast NC	Reentry		
Public Support and Revenues:								
Contributions	\$ -	\$ -	\$ -	\$ 3,807	\$ 888,480	\$ -	\$ -	892,287
Grant Assistance:								
Federal and Federal pass-through	846,605	586,503	386,686	-	-	-	-	1,819,794
State	-	-	-	-	2,234,120	-	-	2,234,120
Local	-	-	-	-	72,176	-	-	72,176
Other	-	-	-	-	1,693,362	-	-	1,693,362
Other Revenues:								
Program fees	-	-	-	-	154,738	-	-	154,738
Contract services	-	-	-	38,000	-	-	-	38,000
Rent	-	-	-	-	4,800	-	-	4,800
Interest	-	-	-	-	-	-	5	5
Indirect	-	-	-	-	-	-	-	-
Local Match	-	-	-	-	-	-	-	-
Other	-	-	-	-	888	-	-	888
Total Public Support and Revenues	846,605	586,503	386,686	41,807	5,048,564	-	5	6,910,170
Expenditures:								
Salaries and wages	215,979	87,400	17,439	-	460,716	-	-	781,534
Employee taxes and benefits	73,195	20,634	3,244	-	148,949	-	-	246,022
Travel	5,028	-	-	-	700	-	-	5,728
Property and equipment	-	-	-	-	43,810	-	-	43,810
Mortgage payments	-	-	-	-	61,507	-	-	61,507
Supplies	16,847	6,143	2,462	-	104,799	-	-	130,251
Contractual	11,482	36,275	41,099	-	253,670	-	-	342,526
Communications	12,241	1,889	716	-	76,547	-	1	91,394
Leases	39,761	9,000	9,000	-	21,299	-	-	79,060
Rentals	1,357	-	-	-	47,164	-	-	48,521
Insurance	-	-	-	-	543	-	-	543
Repairs and maintenance	4,983	6	-	-	259,316	-	-	264,305
Client assistance	448,797	197,360	304,439	37,999	-	-	-	988,595
Food purchases	-	-	-	-	1,283,350	-	-	1,283,350
Other	49,714	6,693	4,364	1,277	290,903	-	207	353,158
Local match	-	-	-	-	-	-	-	-
Indirect	55,655	20,490	3,923	-	119,111	-	-	199,179
Total Expenditures	935,039	385,890	386,686	39,276	3,172,384	-	208	4,919,483
Change in net assets before adjustments to convert to GAAP	\$ (88,434)	\$ 200,613	\$ -	\$ 2,531	\$ 1,876,180	\$ -	\$ (203)	\$ 1,990,687

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

YEAR ENDED DECEMBER 31, 2021

	Community Services Block				Second Harvest		Consumer Credit	
	Grant Program	CARES NC	Relief NC	Special Grants	Food Bank of Southeast NC	Reentry	Counseling Services	Total
<b>Cash flows from operating activities:</b>								
Change in net assets before adjustments to convert to expenses to GAAP	\$ (88,434)	\$ 200,613	\$ -	\$ 2,531	\$ 1,876,180	\$ -	\$ (203)	\$ 1,990,687
Adjustments to reconcile change in net assets to net cash flows from operating activities:								
(Increase) decrease in operating assets:								
Accounts receivable	-	-	174	-	(8,556)	-	-	(8,382)
Grants receivable	(33,462)	-	(159,114)	-	139,379	-	-	(53,197)
Prepaid expenses	(2,336)	(532)	(720)	-	3,290	-	-	(298)
Security deposits	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Increase (decrease) in operating liabilities:								
Temporary bank overdraft payable	-	-	157,708	-	-	-	-	157,708
Accounts payable	(1,113)	1,626	1,303	-	(16,695)	-	-	(14,879)
Accrued salaries	5,303	1,195	1,573	-	(824)	-	-	7,247
Accrued vacation	1,307	-	-	-	2,709	-	-	4,016
Grant refunds payable	-	-	-	-	-	-	-	-
Deferred revenue	-	(219,997)	(45,396)	(1,222)	(1,182,654)	-	-	(1,449,269)
Net cash flows from operating activities	(118,735)	(17,095)	(44,472)	1,309	812,829	-	(203)	633,633
Net change in cash	(118,735)	(17,095)	(44,472)	1,309	812,829	-	(203)	633,633
Cash, beginning of year	136,875	222,329	44,472	23,706	5,996,761	-	232,361	6,656,504
Cash, end of year	\$ 18,140	\$ 205,234	\$ -	\$ 25,015	\$ 6,809,590	\$ -	\$ 232,158	\$ 7,290,137

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

DECEMBER 31, 2021

	<b>Weatherization Program</b>	<b>Weatherization CARES</b>	<b>Weatherization ARPA</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
<b>ASSETS</b>							
Current Assets:							
Cash	\$ -	\$ 3,059	\$ -	\$ 58,132	\$ -	\$ 82,130	\$ 143,321
Accounts receivable	-	-	-	-	43,298	8,002	51,300
Grants receivable	268,631	-	10,767	-	-	-	279,398
Inventories	-	-	-	-	-	-	-
Prepaid expenses	7,246	-	-	-	-	-	7,246
Security deposits	838	-	-	-	-	-	838
<b>Total Assets</b>	<b>\$ 276,715</b>	<b>\$ 3,059</b>	<b>\$ 10,767</b>	<b>\$ 58,132</b>	<b>\$ 43,298</b>	<b>\$ 90,132</b>	<b>\$ 482,103</b>
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Temporary bank overdraft payable	\$ 141,411	\$ -	\$ 10,767	\$ -	\$ 9,769	\$ -	\$ 161,947
Accounts payable	35,219	-	-	1,666	3,460	70	40,415
Accrued salaries	13,111	-	-	-	-	-	13,111
Accrued vacation	26,976	-	-	-	-	-	26,976
Grant refunds payable	27,116	3,059	-	-	-	-	30,175
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	16,985	16,985
<b>Total Liabilities</b>	<b>243,833</b>	<b>3,059</b>	<b>10,767</b>	<b>1,666</b>	<b>13,229</b>	<b>17,055</b>	<b>289,609</b>
Net Assets:							
Without donor restrictions	-	-	-	56,466	30,069	73,077	159,612
With donor restrictions	32,882	-	-	-	-	-	32,882
<b>Total Net Assets</b>	<b>32,882</b>	<b>-</b>	<b>-</b>	<b>56,466</b>	<b>30,069</b>	<b>73,077</b>	<b>192,494</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 276,715</b>	<b>\$ 3,059</b>	<b>\$ 10,767</b>	<b>\$ 58,132</b>	<b>\$ 43,298</b>	<b>\$ 90,132</b>	<b>\$ 482,103</b>

**ACTION PATHWAYS, INC.**

**COMBINING STATEMENT OF PUBLIC SUPPORT AND REVENUES AND FUNCTIONAL EXPENDITURES – NON-GAAP  
LOW INCOME HOUSING PROGRAMS**

*YEAR ENDED DECEMBER 31, 2021*

	<b>Weatherization Program</b>	<b>Weatherization CARES</b>	<b>Weatherization ARPA</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
<b>Public Support and Revenues:</b>							
Grant Assistance:							
Federal and Federal pass-through	\$ 1,981,486	\$ 108,132	\$ 10,767	\$ -	\$ -	\$ -	\$ 2,100,385
State	-	-	-	-	-	-	-
Other Revenues:							
Program fees	-	-	-	-	-	-	-
Contract services	-	-	-	90,268	53,895	-	144,163
Rent	-	-	-	-	-	77,889	77,889
Other	-	-	-	4,512	3,323	-	7,835
<b>Total Public Support and Revenues</b>	<b>1,981,486</b>	<b>108,132</b>	<b>10,767</b>	<b>94,780</b>	<b>57,218</b>	<b>77,889</b>	<b>2,330,272</b>
<b>Expenditures:</b>							
Salaries and wages	329,625	-	8,395	334	509	-	338,863
Employee taxes and benefits	101,539	-	655	161	156	-	102,511
Travel	12,252	-	-	-	-	-	12,252
Property and equipment	4,305	11,020	-	-	-	-	15,325
Supplies	17,306	13,956	-	299	-	-	31,561
Contractual	596,645	47,557	-	26,229	1,553	2,125	674,109
Communications	14,295	112	-	14	13	-	14,434
Leases	39,672	-	-	35	-	-	39,707
Rentals	536	-	-	-	-	-	536
Insurance	3,528	-	-	-	-	-	3,528
Repairs and maintenance	14,608	-	-	-	1	23,602	38,211
Client assistance	735,206	35,487	-	47,361	60,173	3,450	881,677
Indirect	58,012	-	1,717	94	126	-	59,949
Other	53,957	-	-	3,526	2,119	15,998	75,600
<b>Total Expenditures</b>	<b>1,981,486</b>	<b>108,132</b>	<b>10,767</b>	<b>78,053</b>	<b>64,650</b>	<b>45,175</b>	<b>2,288,263</b>
Change in net assets before adjustments to convert to GAAP	\$ -	\$ -	\$ -	\$ 16,727	\$ (7,432)	\$ 32,714	\$ 42,009



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

YEAR ENDED DECEMBER 31, 2021

	<b>Weatherization Program</b>	<b>Weatherization CARES</b>	<b>Weatherization ARPA</b>	<b>Duke Energy Helping Home Fund</b>	<b>BlueCross BlueShield Healthy Home Initiative</b>	<b>Affordable Housing</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>							
Change in net assets before adjustments to convert expenses to GAAP	\$ -	\$ -	\$ -	\$ 16,727	\$ (7,432)	\$ 32,714	\$ 42,009
Adjustments to reconcile increase in net assets to net cash flows from operating activities:							
(Increase) decrease in operating assets:							
Accounts receivable	-	-	-	-	(6,429)	1,366	(5,063)
Grants receivable	(16,226)	-	(10,767)	-	-	-	(26,993)
Prepaid expenses	(343)	-	-	325	324	-	306
Increase (decrease) in operating liabilities:							
Temporary overdraft payable	3,805	-	10,767	-	9,769	-	24,341
Accounts payable	8,928	-	-	(3,960)	807	70	5,845
Accrued salaries	(1,199)	-	-	(76)	-	-	(1,275)
Accrued vacation	5,035	-	-	-	-	-	5,035
Grant refunds payable	-	3,059	-	-	-	-	3,059
Due to other funds	-	-	-	-	-	7,004	7,004
Net cash flows from operating activities	-	3,059	-	13,016	(2,961)	41,154	54,268
Net change in cash	-	3,059	-	13,016	(2,961)	41,154	54,268
Cash, beginning of year	-	-	-	45,116	2,961	40,976	89,053
Cash, end of year	\$ -	\$ 3,059	\$ -	\$ 58,132	\$ -	\$ 82,130	\$ 143,321

**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, 2021*

## 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 (G044122)	\$ 8,207,713
Training and technical assistance (G044120)	18,528
Early Program (G044125)	1,206,044
Training and technical assistance (G044121)	4,292
Disaster Program	53,390

Total Government Grants	9,489,967
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## Other Revenues and Public Support:

USDA reimbursement grants	173,594
Grantees non-federal share - budget amount	177,612
Child care reimbursement	12

Total Other Revenues and Public Support	351,218
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Total Public Support and Revenues	9,841,185
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## Expenditures:

## Government Grants:

## Head Start - full year, part day (04CH0002017 &amp; 04CH010288):

## Direct Costs:

Salaries and wages	3,826,077
Fringe benefits	1,483,455
Equipment	266,954
Expendable equipment and equipment rental	139,709
Supplies	333,668
Contractual and space costs	296,905
Other	833,395

Subtotal	7,180,163
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Indirect Costs	1,027,565
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Total	8,207,728
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## Training and Technical Assistance (G044120):

## Direct Costs:

Travel	18,528
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## Early Program (G044122):

## Direct Costs:

Salaries and wages	171,393
Fringe benefits	65,197
Equipment	72
Expendable equipment and equipment rental	-
Supplies	40,962
Contractual and space costs	855,064
Other	26,984

Subtotal	1,159,672
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Indirect Costs	46,378
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Total	1,206,050
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**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, 2021

Training and Technical Assistance (G044121):	
Direct Costs:	
Travel	4,292
Disaster Assistance (G040800):	
Direct Costs:	
Salaries and wages	36,391
Fringe benefits	5,632
Supplies	-
Contractual and space costs	-
Other	1,092
Subtotal	43,115
Indirect Costs	7,970
Total	51,085
Training and Technical Assistance (G044121):	
Direct Costs:	
Travel	2,296
Total Head Start	9,489,979
Other Expenditures:	
USDA Reimbursement Funds:	
Direct Costs:	
Salaries and wages	30,622
Fringe benefits	9,415
Supplies	9,008
Contractual and space costs	5,733
Other	102,744
Subtotal	157,522
Indirect Costs	8,091
Total USDA	165,613
Public Support:	
Head Start - full year, part day (G044122):	
In-kind contributions (see note below)	54,455
Head Start Early (PA-25):	
In-kind contributions (see note below)	123,157
Total Public Support	177,612
Total Expenditures	9,833,204
Change in net assets	7,981
Net assets, beginning of year	1,091
Net assets, end of year	\$ 9,072
Analysis of Net Assets:	
With Donor Restrictions:	
NC Transition Grant	\$ 1,091

## Head Start Administrative Costs Calculation:

Administrative costs divided by grant revenue \$1,182,011/\$9,667,573 = 12.23%

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, 2021 AND 2022

	<b>Grant Period Ending June 30, 2021<sup>1</sup></b>	<b>Grant Period Ending June 30, 2022<sup>2</sup></b>	<b>Total</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	-	-
Government Grants:			
Federal pass-through	459,224	387,381	846,605
Total Public Support, Government Grants, and Revenues	<u>459,224</u>	<u>387,381</u>	<u>846,605</u>
Expenditures:			
Direct Costs:			
Salaries and wages	92,399	123,580	215,979
Fringe benefits	36,863	36,332	73,195
Supplies and materials	6,200	10,647	16,847
Equipment	1,948	2,744	4,692
Travel	949	352	1,301
Utilities	7,455	6,409	13,864
Repair and maintenance	5,158	8,281	13,439
Staff development	7,327	23,324	30,651
Media/communications	890	1,299	2,189
Rent	19,676	18,707	38,383
Professional services	146	-	146
Dues	7,426	1,553	8,979
Other	341,136	118,583	459,719
Subtotal	<u>527,573</u>	<u>351,811</u>	<u>879,384</u>
Indirect costs	<u>20,087</u>	<u>35,568</u>	<u>55,655</u>
Total Expenditures	<u>547,660</u>	<u>387,379</u>	<u>935,039</u>
Change in net assets	(88,436)	2	(88,434)
Net assets, beginning of year	-	-	-
Net assets, end of year	<u>\$ (88,436)</u>	<u>\$ 2</u>	<u>\$ (88,434)</u>
Analysis of Net Assets:			
CSBG programs	\$ (88,436)	\$ 2	\$ (88,434)
Nongrant funds - without donor restrictions	-	-	-
	<u>\$ (88,436)</u>	<u>\$ 2</u>	<u>\$ (88,434)</u>

<sup>1</sup> Reports the 6 month period from January 1, 2021 to June 30, 2021<sup>2</sup> Reports the 6 month period from July 1, 2021 to December 31, 2021

**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, 2020 AND JUNE 30, 2021

	Six Months Ended December 31, 2020	Six Months Ended June 30, 2021	Total	Budget	Variance Favorable (Unfavorable)
Public Support, Government Grants, and Revenues:					
Donations	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Government Grants:					
Federal pass-through	374,549	459,224	833,773	1,433,280	(599,507)
Total Public Support, Government Grants, and Revenues	<u>374,549</u>	<u>459,224</u>	<u>833,773</u>	<u>1,433,280</u>	<u>(599,507)</u>
Expenditures:					
Direct Costs:					
Salaries and wages	81,094	92,399	173,493	401,995	228,502
Fringe benefits	32,883	36,863	69,746	131,552	61,806
Communications	8,003	7,694	15,697	31,017	15,320
Space costs	28,408	27,847	56,255	71,797	15,542
Travel	5,682	8,522	14,204	40,086	25,882
Contractual	3,665	8,870	12,535	19,542	7,007
Supplies and materials	6,297	6,199	12,496	47,951	35,455
Client services	101,250	338,244	439,494	598,296	158,802
Equipment	-	-	-	-	-
Other	1,119	935	2,054	14,000	11,946
Subtotal	268,401	527,573	795,974	1,356,236	560,262
Indirect costs	17,712	20,087	37,799	77,044	39,245
Total Expenditures	<u>286,113</u>	<u>547,660</u>	<u>833,773</u>	<u>1,433,280</u>	<u>599,507</u>
Change in net assets	88,436	(88,436)	-	\$ -	\$ -
Net assets, beginning of year	-	-	-		
Net assets, end of year	<u>\$ 88,436</u>	<u>\$ (88,436)</u>	<u>\$ -</u>		
Analysis of Net Assets:					
Nongrant funds - With Donor Restrictions	\$ -	\$ -	\$ -		
Total Analysis of Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

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

YEAR ENDED DECEMBER 31, 2021

(GRANT PERIOD JULY 1, 2021 THROUGH JUNE 30, 2022)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	-	-
Government Grants:			
Federal pass-through	<u>1,456,699</u>	<u>387,381</u>	<u>(1,069,318)</u>
Public Support, Government Grants, and Revenues	<u>1,456,699</u>	<u>387,381</u>	<u>(1,069,318)</u>
Expenditures:			
Direct Costs:			
Salaries and wages	290,087	123,580	166,507
Fringe benefits	100,980	36,332	64,648
Supplies and materials	35,043	10,647	24,396
Equipment	363,900	2,744	361,156
Travel	3,360	352	3,008
Utilities	22,962	6,409	16,553
Repair and maintenance	19,230	8,281	10,949
Staff development	38,851	23,324	15,527
Media/communications	9,173	1,299	7,874
Rent	36,300	18,707	17,593
Professional services	1,480	-	1,480
Dues	4,500	1,553	2,947
Other	<u>468,653</u>	<u>118,583</u>	<u>350,070</u>
Subtotal	1,394,519	351,811	1,042,708
Indirect Costs	<u>62,180</u>	<u>35,568</u>	<u>26,612</u>
Total Expenditures	<u>1,456,699</u>	<u>387,379</u>	<u>1,069,320</u>
Change in net assets	<u>\$ -</u>	2	<u>\$ 2</u>
Net assets, July 1, 2021		-	
Net assets, December 31, 2021		<u>\$ 2</u>	
Analysis of Net Assets:			
CSBG programs		\$ 2	
Nongrant funds - Without Donor Restrictions		-	
Total Net Assets		<u>\$ 2</u>	

**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, 2021

(GRANT PERIOD JULY 1, 2020 THROUGH SEPTEMBER 30, 2022)

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	-	-
Government Grants:			
Federal pass-through	<u>717,968</u>	<u>586,503</u>	<u>(131,465)</u>
Public Support, Government Grants, and Revenues	<u>717,968</u>	<u>586,503</u>	<u>(131,465)</u>
Expenditures:			
Direct Costs:			
Salaries and wages	182,012	123,517	58,495
Fringe benefits	74,291	20,634	53,657
Communications	14,459	1,889	12,570
Space costs	26,502	11,175	15,327
Travel	5,807	3,401	2,406
Contractual	2,490	718	1,772
Supplies and materials	10,090	6,143	3,947
Client services	360,902	197,360	163,542
Equipment	345	-	345
Other	<u>2,569</u>	<u>564</u>	<u>2,005</u>
Subtotal	679,467	365,401	314,066
Indirect Costs	<u>38,501</u>	<u>20,489</u>	<u>18,012</u>
Total Expenditures	<u>717,968</u>	<u>385,890</u>	<u>332,078</u>
Change in net assets	<u>\$ -</u>	200,613	<u>\$ 200,613</u>
Net assets, January 1, 2021		-	
Net assets, December 31, 2021		<u>\$ 200,613</u>	
Analysis of Net Assets:			
CSBG programs		\$ 200,613	
Nongrant funds - Without Donor Restrictions		-	
Total Net Assets		<u>\$ 200,613</u>	

**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, 2021

(GRANT PERIOD JULY 1, 2020 THROUGH SEPTEMBER 30, 2022)

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
Public Support, Government Grants, and Revenues:			
Direct - donations	\$ -	\$ -	\$ -
Interest income	-	-	-
Government Grants:			
Federal pass-through	<u>832,222</u>	<u>386,686</u>	<u>(445,536)</u>
Public Support, Government Grants, and Revenues	<u>832,222</u>	<u>386,686</u>	<u>(445,536)</u>
Expenditures:			
Direct Costs:			
Salaries and wages	144,419	17,439	126,980
Fringe benefits	41,654	3,244	38,410
Supplies and materials	6,190	2,462	3,728
Equipment	1,430	-	1,430
Travel	9,945	147	9,798
Utilities	7,488	716	6,772
Staff development	2,000	-	2,000
Communications	3,200	894	2,306
Rent	31,211	11,168	20,043
Professional services	2,960	591	2,369
Dues/subscriptions	1,699	565	1,134
Other	<u>557,641</u>	<u>345,537</u>	<u>212,104</u>
Subtotal	<u>809,837</u>	<u>382,763</u>	<u>427,074</u>
Indirect Costs	<u>22,385</u>	<u>3,923</u>	<u>18,462</u>
Total Expenditures	<u>832,222</u>	<u>386,686</u>	<u>445,536</u>
Change in net assets	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Net assets, January 1, 2021		<u>-</u>	
Net assets, December 31, 2021		<u>\$ -</u>	
Analysis of Net Assets:			
CSBG programs		<u>\$ -</u>	
Nongrant funds - Without Donor Restrictions		<u>-</u>	
Total Net Assets		<u>\$ -</u>	



**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, 2020 AND JUNE 30, 2021*

	<b>Six Months Ended December 31, 2020</b>	<b>Six Months Ended June 30, 2021</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>WEATHERIZATION:</b>					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funds:					
Total grant	161,419	272,290	433,709	644,920	(211,211)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>161,419</u>	<u>272,290</u>	<u>433,709</u>	<u>644,920</u>	<u>(211,211)</u>
Expenditures:					
Administration	9,799	14,440	24,239	30,975	6,736
Training and technical assistance	8,087	18,839	26,926	73,784	46,858
Health and safety	13,511	49,557	63,068	107,700	44,632
Program operations	130,022	189,454	319,476	432,461	112,985
Total Expenditures	<u>161,419</u>	<u>272,290</u>	<u>433,709</u>	<u>644,920</u>	<u>211,211</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>HARRP:</b>					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funds:					
Total grant	310,535	372,712	683,247	711,391	(28,144)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>310,535</u>	<u>372,712</u>	<u>683,247</u>	<u>711,391</u>	<u>(28,144)</u>
Expenditures:					
Administration	5,930	2,594	8,524	32,978	24,454
Program operations	304,605	370,118	674,723	678,413	3,690
Total Expenditures	<u>310,535</u>	<u>372,712</u>	<u>683,247</u>	<u>711,391</u>	<u>28,144</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, 2020 AND JUNE 30, 2021*

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	<b>Six Months Ended December 31, 2020</b>	<b>Six Months Ended June 30, 2021</b>	<b>Total</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
LIHEAP:					
Public Support, Government Grants, and Revenues:					
Landlord contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Funds:					
Total grant	455,570	468,358	923,928	1,065,329	(141,401)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support, Government Grants, and Revenues	<u>455,570</u>	<u>468,358</u>	<u>923,928</u>	<u>1,065,329</u>	<u>141,401</u>
Expenditures:					
Administration	20,822	14,342	35,164	60,477	25,313
Program operations	350,028	357,547	707,575	807,852	100,277
Health & safety	84,720	96,469	181,189	197,000	15,811
Total Expenditures	<u>455,570</u>	<u>468,358</u>	<u>923,928</u>	<u>1,065,329</u>	<u>141,401</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, 2021

**ASSETS**

Current Assets:

Cash	\$ 6,809,590
Accounts receivable	12,208
Grants receivable	196,086
Prepaid expenses	21,790

<b>Total Assets</b>	<b>\$ 7,039,674</b>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 389,225
Accrued salaries	13,484
Accrued vacation	21,071
Grant refunds payable	8,766
Deferred revenue	135,974

Long-Term Liabilities:

Due to other funds	38,970
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<b>Total Liabilities</b>	<b>607,490</b>
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Net Assets:

Without donor restrictions	6,296,210
Temporarily restricted	135,974

<b>Total Net Assets</b>	<b>6,432,184</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 7,039,674</b>
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**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, 2021*

## Public Support and Revenues:

## Grant Assistance:

Federal and federal pass-through	\$ 1,639,746
State	594,374
Local	72,176
Other	1,693,362
Total Grants Assistance	<u>3,999,658</u>

## Donations:

Cash	888,480
Food	18,138,322
Total Donations	<u>19,026,802</u>

## Fees:

Shared maintenance	142,968
Dues	11,770
Total Fees	<u>154,738</u>

## Other

	888
Total Public Support and Revenues	<u>23,182,086</u>

## Expenditures:

## Administration:

Personnel	69,107
Payroll taxes	6,807
Fringe benefits	16,223
Supplies	3,317
Contractual and space	21,839
Indirect	64,330
Other	119,111
Total Administration	<u>300,734</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, 2021*

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Expenditures (continued):

Operating:

Personnel	\$ 345,537
Payroll taxes	27,564
Fringe benefits	83,460
Travel	700
Supplies	91,003
Contractual and space	261,715
Food purchases	1,283,350
Donated food - distributed	10,133,141
Spoilage	71,000
Other	<u>616,171</u>
Total Operating	<u>12,913,641</u>

Fundraising:

Personnel	46,072
Payroll taxes	3,819
Fringe benefits	11,076
Supplies	10,480
Contractual and space	31,506
Other	<u>59,199</u>
Total Fundraising	<u>162,152</u>
Total Expenditures	<u>13,376,527</u>
Adjustment to Net Assets	<u><u>\$ 9,805,559</u></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, 2021, 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 23, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

**Report on 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

Raleigh, North Carolina  
June 23, 2022

## **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**

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

We have audited Action Pathways, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. 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.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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

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

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

#### ***Responsibilities of Management for Compliance***

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

#### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

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

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

Chemy Bekaert LLP

Raleigh, North Carolina  
June 23, 2022

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

YEAR ENDED DECEMBER 31, 2021

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

*Financial Statements*

Type of auditor’s report issued on whether the financial statements were presented in accordance with U.S. GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to federal awards noted?  yes  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  no

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Program Name</u>
Food Distribution Cluster:	
10.565	Commodity Supplemental Food Program
10.568	Commodity Senior Food Program and Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
93.568	Low-Income Energy Assistance – Heating and Air Repair and Replacement
93.568	Low-Income Energy Assistance - Weatherization

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

*YEAR ENDED DECEMBER 31, 2021*

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

Dollar threshold used to distinguish between Type

A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes           no

**Section II – Financial Statement Findings**

None reported.

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

None reported.

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

*YEAR ENDED DECEMBER 31, 2021*

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

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

YEAR ENDED DECEMBER 31, 2021

<b>Federal Grantor/Nonfederal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Federal and State Expenditures</b>	<b>In-Kind Program Income and Other Local Expenditures</b>
Head Start	93.600	8,279,640	177,612
Early Head Start Child Care Partnership	93.600	1,210,342	-
Passed through N.C. Department of Health and Human Services			
Community Services Block Grant	93.569	935,040	-
COVID 19 - Community Services Block Grant - CARES NC	93.569	385,890	-
COVID 19 - Community Services Block Grant - RELIEF NC	93.569	386,686	-
Low-Income Home Energy Assistance Program - Heating and Air Repair and Replacement Program	93.568	820,256	-
Low-Income Home Energy Assistance Program - Weatherization	93.568	810,951	-
Total Department of Health and Human Services		<u>12,828,805</u>	<u>177,612</u>
U.S. Department of Agriculture:			
Passed through N.C. Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	165,612	-
Emergency Food Distribution Cluster			
Noncash Assistance (Food commodities)			
Passed through N.C. Department of Agriculture			
Commodity Supplemental Food Program (Food commodities)	10.565	293,733	-
Emergency Food Assistance Program (Food commodities)	10.569	4,210,987	-
COVID 19 - Emergency Food Assistance Program (Food commodities) - CARES	10.569	187,296	-
COVID 19- Emergency Food Assistance Program (Food commodities) - RELIEF	10.569	708,031	-
Noncash Assistance		<u>5,400,047</u>	-
Cash Assistance:			
Passed through N.C. Department of Health and Human Services			
Commodity Senior Food Program (Administrative costs)	10.568	108,411	-
Emergency Food Assistance Program (Administrative costs)	10.568	1,531,335	-
Cash Assistance		<u>1,639,746</u>	-
Total Emergency Food Distribution Cluster		<u>7,039,793</u>	-
Total U.S. Department of Agriculture		<u>7,205,405</u>	-
U.S. Department of Energy:			
Weatherization Assistance Program for Low Income Persons	81.042	469,179	-
Total U.S. Department of Energy		<u>469,179</u>	-
Total Expenditures of Federal Awards		<u>20,503,389</u>	<u>177,612</u>
State of N.C. Grant Programs:			
State Nutrition Assistance Grant	Contract # 34645	421,053	-
Total Expenditures of State Awards		<u>421,053</u>	-
Total Expenditures of Federal and State Awards		<u>\$ 20,924,442</u>	<u>\$ 177,612</u>

## **ACTION PATHWAYS, INC.**

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

*YEAR ENDED DECEMBER 31, 2021*

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#### **Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Action Pathways, Inc. (the “Organization”) under programs of the federal and state government for the year ended December 31, 2021. 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 \$177,612.

#### **Note 3—Food commodities**

Nonmonetary assistance is reported in this Schedule at the fair market value of commodities received. At December 31, 2021, the Organization had food commodities totaling \$904,242 in inventory.

#### **Note 4—Indirect costs**

During the year ended December 31, 2021, the Organization did not elect to use the 10% de minimis cost rate for charging indirect costs to the grants.