

Action Pathways, Inc.

Report on Audit of Financial Statements
for the year ended December 31, 2022
(With Comparative Totals for December 31, 2021)

MPCoCompany LLP

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Action Pathways, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Action Pathways, Inc. as of December 31, 2022, 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Action Pathways, Inc. 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Action Pathways, Inc.'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 Action Pathways, Inc.'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

The financial statements of Action Pathways, Inc. for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2022. The summarized comparative information herein as of and for the year ended December 31, 2021, 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 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 Part 200, Uniform Administrative 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 supplementary 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 September 29, 2023 on our consideration of Action Pathways, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Action Pathways, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Action Pathways, Inc.'s internal control over financial reporting and compliance.

MPC Company LLP

September 29, 2023

Action Pathways, Inc.
Statement of Financial Position
December 31, 2022
(with comparative totals at December 31, 2021)

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 5,654,562	\$ 7,567,593
Investments	898,967	1,095,074
Accounts receivable	3,891,853	369,718
Grants receivable	2,184,440	3,461,045
Inventories	7,695	7,695
Prepaid expenses	<u>76,965</u>	<u>95,941</u>
Total current assets	<u>12,714,482</u>	<u>12,597,066</u>
Property and equipment, net	10,670,357	6,420,045
Financing right-of-use assets, net	173,979	-
Operating right-of-use assets, net	10,578	-
Security deposits	<u>7,707</u>	<u>7,707</u>
Total assets	\$ <u>23,577,103</u>	\$ <u>19,024,818</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 186,239	\$ 118,762
Financing lease liabilities	4,558	-
Operating lease liabilities	5,611	-
Accounts payable	642,759	1,139,837
Accrued salaries	174,926	206,151
Accrued vacation	200,668	155,503
Grant refunds payable	317,549	144,786
Deferred revenue	<u>245,599</u>	<u>147,380</u>
Total current liabilities	<u>1,777,909</u>	<u>1,912,419</u>
Noncurrent portion of long-term debt	1,802,747	409,793
Noncurrent financing lease liabilities	12,899	-
Noncurrent operating lease liabilities	<u>4,837</u>	<u>-</u>
Total liabilities	<u>3,598,392</u>	<u>2,322,212</u>
Net assets:		
Without donor restrictions	18,830,210	16,321,829
With donor restrictions	<u>1,148,501</u>	<u>380,777</u>
Total net assets	<u>19,978,711</u>	<u>16,702,606</u>
	\$ <u>23,577,103</u>	\$ <u>19,024,818</u>

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

Action Pathways, Inc.
Statement of Activities
for the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2022</u>	<u>2021</u>
Public Support and Revenues:				
Contributions	\$ 961,955	\$ -	\$ 961,955	\$ 893,537
Federal financial assistance	16,559,154	-	16,559,154	13,410,146
State financial assistance	549,767	-	549,767	2,407,714
Employee Retention Credit	3,477,829	-	3,477,829	-
Local grants	12,750	-	12,750	72,176
Other grants	444,632	1,183,627	1,628,259	1,693,362
Contribution of nonfinancial assets	175,070	-	175,070	177,612
Program fees and other	193,570	-	193,570	164,750
Contract services	486,637	-	486,637	894,963
Rent	104,276	-	104,276	82,689
Gain on involuntary conversion	64,898	-	64,898	-
Investment return, net	<u>(188,219)</u>	<u>-</u>	<u>(188,219)</u>	<u>111,796</u>
Total	22,842,319	1,183,627	24,025,946	19,908,745
Net assets released from restrictions				
Community Services	<u>415,903</u>	<u>(415,903)</u>	<u>-</u>	<u>-</u>
Total net assets released	<u>415,903</u>	<u>(415,903)</u>	<u>-</u>	<u>-</u>
Total public support revenues	<u>23,258,222</u>	<u>767,724</u>	<u>24,025,946</u>	<u>19,908,745</u>
Expenses:				
Programs:				
Early Childhood Development	9,427,631	-	9,427,631	10,166,101
Community Services	8,528,307	-	8,528,307	4,935,327
Low Income Housing	<u>2,753,381</u>	<u>-</u>	<u>2,753,381</u>	<u>2,311,518</u>
Total programs	20,709,319	-	20,709,319	17,412,946
Management and general	<u>40,522</u>	<u>-</u>	<u>40,522</u>	<u>75,029</u>
Total expenses	<u>20,749,841</u>	<u>-</u>	<u>20,749,841</u>	<u>17,487,975</u>
Changes in net assets	2,508,381	767,724	3,276,105	2,420,770
Net assets at beginning of year	<u>16,321,829</u>	<u>380,777</u>	<u>16,702,606</u>	<u>14,281,836</u>
Net assets at end of year	\$ <u>18,830,210</u>	\$ <u>1,148,501</u>	\$ <u>19,978,711</u>	\$ <u>16,702,606</u>

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

Action Pathways, Inc.
Statement of Functional Expenses
for the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	Programs				Management and General	2022	2021
	Early Childhood Development	Community Services	Low Income Housing	Total Programs			
Salaries and wages	\$ 3,255,782	\$ 970,310	\$ 391,679	\$ 4,617,771	\$ 767,463	\$ 5,385,234	\$ 5,974,567
Employee taxes and benefits	1,291,786	288,499	100,295	1,680,580	182,815	1,863,395	2,118,921
Travel	51,508	35,947	22,100	109,555	22,657	132,212	57,778
Property and equipment	13,348	65,677	73,576	152,601	352	152,953	269,476
Mortgage payments	12,013	19,477	-	31,490	23,521	55,011	22,048
Supplies	265,368	84,787	43,742	393,897	54,167	448,064	566,051
Contractual	1,448,173	690,584	719,070	2,857,827	201,934	3,059,761	2,383,273
Communications	223,223	197,656	11,668	432,547	21,887	454,434	225,701
Leases	114,663	63,167	31,640	209,470	7,836	217,306	276,444
Rentals	13,383	54,202	350	67,935	5,694	73,629	66,539
Insurance	98,198	45,463	16,782	160,443	32,165	192,608	214,909
Repairs and maintenance	137,015	12,327	24,667	174,009	150,270	324,279	379,959
Client assistance	-	797,686	963,285	1,760,971	325	1,761,296	1,870,313
Food purchases	303,402	4,244,341	-	4,547,743	-	4,547,743	1,383,521
Other	440,581	474,250	210,110	1,124,941	80,021	1,204,962	938,529
Depreciation	334,772	219,562	54,457	608,791	93,093	701,884	562,334
Contributed facilities	175,070	-	-	175,070	-	175,070	177,612
Indirect	<u>1,249,346</u>	<u>264,372</u>	<u>89,960</u>	<u>1,603,678</u>	<u>(1,603,678)</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,427,631</u>	\$ <u>8,528,307</u>	\$ <u>2,753,381</u>	\$ <u>20,709,319</u>	\$ <u>40,522</u>	\$ <u>20,749,841</u>	\$ <u>17,487,975</u>

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

Action Pathways, Inc.
Statement of Cash Flows
for the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 3,276,105	\$ 2,420,770
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation and amortization	701,884	562,334
Amortization of right-of-use asset	19,196	-
Gain on involuntary conversion	(64,898)	-
Loss on disposal of fixed asset	-	8,113
Realized and unrealized gains on investments	188,219	(99,771)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(3,522,135)	(101,123)
Grants receivable	1,276,605	2,507,841
Inventories	-	3,329
Prepaid expenses	18,976	(10,450)
Increase (decrease) in liabilities:		
Accounts payable	(497,078)	417,781
Accrued salaries	(31,225)	(43,921)
Accrued vacation	45,165	(62,705)
Grant refund payable	172,763	17,569
Deferred revenue	98,219	(1,449,269)
Operating lease liabilities	<u>(5,141)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,676,655</u>	<u>4,170,498</u>
Cash flows from investing activities:		
Capital expenditures for property and equipment	(3,471,287)	(151,533)
Proceeds from sales of investments	885,368	425,899
Purchase of investments	(877,480)	(438,637)
Expended for right-of-use asset	(168,000)	-
Proceeds from involuntary conversion	<u>192,614</u>	<u>-</u>
Net cash used in investing activities	<u>(3,438,785)</u>	<u>(164,271)</u>
Cash flows from financing activities:		
Principal payments of financing lease liabilities	(2,707)	-
Principal payments of long-term debt	<u>(148,194)</u>	<u>(126,533)</u>
Net cash used in financing activities	<u>(150,901)</u>	<u>(126,533)</u>
Net increase (decrease) in cash and cash equivalents	(1,913,031)	3,879,694
Cash, beginning of year	<u>7,567,593</u>	<u>3,687,899</u>
Cash, end of year	\$ <u>5,654,562</u>	\$ <u>7,567,593</u>

Continued

Action Pathways, Inc.
Statement of Cash Flows (Continued)
for the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flows information:		
Cash paid during the year for interest	\$ <u>45,631</u>	\$ <u>22,048</u>
Supplemental disclosure of noncash investing and financing activities:		
Right of use asset and liability upon ASC 842 implementation	\$ <u>35,753</u>	<u>-</u>
Long-term debt acquired to purchase property	\$ <u>1,608,625</u>	<u>-</u>

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

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

1. ORGANIZATION

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, weatherization assistance, as well as administering the Cumberland County Head Start Program.

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.
- *Home Investment Partnership Program* – This program is designed to expand the supply of decent and affordable housing, particularly rental housing, for low-income individuals. Rental revenue is restricted to use in the fund for upkeep of the property or for acquisition of additional property.
- *Ways and Means* – This program acquired certain assets from funds that had been accumulated over past years from fundraising activities. Other programs are charged user fees based on the amount of usage of these assets. This fund provides services not covered by other programs to qualified low-income families.
- *Heating and Air Replacement Program (“HARRP”)* – This program is designed to inspect and repair/replace heating or air conditioning systems of the residences of low income persons.
- *Second Harvest Food Bank of Southeast North Carolina (“SHFB”)* – This program receives and distributes food which, through a network of member agencies, reaches the hungry in seven North Carolina counties served by SHFB.
- *Duke Energy Helping Home Fund* – This program utilizes funds from Duke Energy’s Helping Home Fund for the benefit of Duke Energy’s low-income electric customers for health and safety projects, weatherization projects, heating repair and replacement projects, and vendor payments.
- *Reentry* – This program is designed to assist formerly incarcerated individuals with a successful transition into their communities.
- *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.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

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.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Net Assets

Net assets, revenues, support, and gains are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

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.

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, 2022, the Organization does not believe any account or grant receivables are uncollectible and no allowance is deemed necessary.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Functional Allocation of 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.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, the Organization's cash balances exceeded the federally insured limit by a total of \$5,222,374.

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.

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, 2022, the Second Harvest Food Bank of Southeast North Carolina received approximately 18,682,384 pounds of donated food and distributed approximately 16,014,671 pounds of the donated food to member agencies. The donated food was valued at \$1.93 per pound and, therefore, amounts to \$36,057,000 received and \$27,787,156 distributed during the year. Of the \$27,787,156 distributed, \$3,687,787 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.

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, 2022.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 3,417 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2022. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at \$102,309 for the year ended December 31, 2022 were not recorded for financial statement purposes.

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, 2022 was \$101,684.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 management's 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.

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 2022, as determined by the Organization, is 22%.

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, 2022 was approximately \$120,943.

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, 2022.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities, net of deferred rent of \$35,753. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

During fiscal year 2022 the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2022, 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	\$ 5,654,562
Investments	898,967
Accounts receivable	3,891,853
Grants receivable	<u>2,184,440</u>
	12,629,822
Less donor restrictions	<u>(1,148,501)</u>
Financial assets available to meet general expenditures within one year	\$ <u>11,481,321</u>

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.

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ <u> -</u>	\$ <u> 18,364</u>	\$ <u> -</u>	\$ 18,364
Mutual funds*				<u>880,603</u>
				<u>\$ 898,967</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 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.

5. PROPERTY AND EQUIPMENT

Property and equipment comprise of the following activity for the year ended December 31, 2022:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
By asset type:				
Land	\$ 509,732	\$ -	\$ -	\$ 509,732
Vehicles	3,350,979	149,114	29,900	3,470,193
Equipment, furniture, and fixtures	2,204,544	632,047	60,900	2,775,691
Buildings and improvements	<u>6,667,314</u>	<u>4,298,751</u>	<u> 231,747</u>	<u>10,734,318</u>
	<u>\$ 12,732,569</u>	<u>\$ 5,079,912</u>	<u>\$ 322,547</u>	<u>\$ 17,489,934</u>

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

5. PROPERTY AND EQUIPMENT (Continued)

By function:	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
CCCS	\$ 34,405	\$ -	\$ -	\$ 34,405
Head Start	5,424,430	263,257	292,647	5,395,040
State Child Development Programs	2,838,686	-	-	2,838,686
USDA	12,166	-	-	12,166
CSBG	168,237	320,152	-	488,389
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	73,806	191,577	29,900	235,483
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	2,645,923	522,434	-	3,168,357
Second Harvest Food Bank ARPA	-	71,075	-	71,075
Weatherization ARPA	141,324	-	-	141,324
Corporate	<u>633,853</u>	<u>3,711,417</u>	<u>-</u>	<u>4,345,270</u>
	12,732,569	5,079,912	322,547	17,489,934
Less accumulated depreciation	<u>(6,312,524)</u>	<u>\$ (701,884)</u>	<u>\$ 194,831</u>	<u>(6,819,577)</u>
Net property and equipment	<u>\$ 6,420,045</u>			<u>\$ 10,670,357</u>

6. LONG-TERM DEBT

Long-term debt at December 31, 2022 consisted of the following:

Note payable in monthly installments of \$8,837, including interest at 2.85% with the note maturing on June 5, 2032; secured by real property at 4525 Campground Church Road, Fayetteville, NC	\$ 1,579,127
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, NC	178,462
Note payable in monthly installments of \$5,592, including interest at 4.45% with the note maturing on October 30, 2027; secured by a Food Distribution Center at 406 Deep Creek Road, Fayetteville, NC	<u>231,397</u>
	<u>1,988,986</u>
Less current portion	<u>(186,239)</u>
	<u>\$ 1,802,747</u>

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

6. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

<u>Years Ending December 31,</u>	<u>Campground Church Road</u>	<u>Southern Avenue</u>	<u>Food Distribution Center</u>	<u>Total</u>
2023	\$ 61,180	\$ 73,025	\$ 52,034	\$ 186,239
2024	62,973	76,529	55,112	194,614
2025	64,818	28,908	58,450	152,176
2026	66,718	-	61,950	128,668
2027	68,673	-	3,851	72,524
Thereafter	<u>1,254,765</u>	<u>-</u>	<u>-</u>	<u>1,254,765</u>
	<u>\$ 1,579,127</u>	<u>\$ 178,462</u>	<u>\$ 231,397</u>	<u>\$ 1,988,986</u>

7. OPERATING LEASES AND LEASE LIABILITIES

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, 2022 was \$216,941.

In 2022, the Organization adopted Accounting Standards Codification Topic 842, Leases and as such has recognized both a right of use asset and a corresponding lease liability on the statement of financial position for its executed operating leases. The asset and liability are amortized over the life of the leases. The operating lease liability is presented net of a discount on future cash flows under the lease term at the average incremental borrowing rate of 4.5%. Amortization expense on lease liabilities and assets for the year ended December 31, 2022 are \$19,196 and \$5,141, respectively.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2022 are as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2023	\$ 5,611	\$ 4,558	\$ 10,169
2024	4,187	4,558	8,745
2025	1,177	4,558	5,735
2026	-	3,859	3,859
2027	-	1,680	1,680
Undiscounted lease liability	10,975	19,213	30,188
Less present value discount	<u>(527)</u>	<u>(1,756)</u>	<u>(2,283)</u>
Net lease liability	10,448	17,457	27,905
Less current maturities	<u>(5,611)</u>	<u>(4,558)</u>	<u>(10,169)</u>
	<u>\$ 4,837</u>	<u>\$ 12,899</u>	<u>\$ 17,736</u>

Action Pathways, Inc.
Notes to Financial Statements
December 31, 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

Early Childhood Development programs	\$ 9,072
Community Services programs	1,106,547
Low Income Housing programs	<u>32,882</u>
	\$ <u>1,148,501</u>

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Donated goods, professional services, and use of facilities are recorded at estimated fair market value on the statement of activities as contributions of nonfinancial assets. Nonfinancial asset contributions of \$175,070 for the year ended December 31, 2022 are comprised of donated use of facilities.

10. CONTINGENCIES

The Organization receives funds from several federal and state grants, which are approximately 67% 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 \$317,549 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.

11. EMPLOYEE RETENTION CREDIT (ERC)

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization qualifies for the tax credit under the CARES Act. During the year ended December 31, 2022, the Organization recorded revenues and receivables of \$3,447,829 related to the CARES Employee Retention credit on the statements of activities and on the statements of financial position, respectively.

12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 29, 2023, 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, 2022

Assets	Programs			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	
Current assets:							
Cash and cash equivalents	\$ 270,769	\$ 4,786,553	\$ 150,238	\$ 2,137,764	\$ -	\$ (1,690,762)	\$ 5,654,562
Investments	-	-	-	898,967	-	-	898,967
Accounts receivable	34,200	83,361	52,815	3,721,477	-	-	3,891,853
Grants receivable	977,062	1,089,765	117,613	-	-	-	2,184,440
Inventories	7,695	-	-	-	-	-	7,695
Prepaid expenses	48,105	14,974	5,723	8,163	-	-	76,965
Property and equipment, net	-	-	-	-	10,670,357	-	10,670,357
Right-of-use assets	-	-	-	-	184,557	-	184,557
Security deposits	2,000	4,812	838	57	-	-	7,707
Due from other funds	9,658	38,970	18	19,570	-	(68,216)	-
Total Assets	\$ 1,349,489	\$ 6,018,435	\$ 327,245	\$ 6,785,998	\$ 10,854,914	\$ (1,758,978)	\$ 23,577,103
Liabilities and Net Assets							
Current liabilities:							
Temporary bank overdraft payable	\$ 580,738	\$ 953,357	\$ 5,934	\$ 150,733	\$ -	\$ (1,690,762)	\$ -
Current portion of long-term debt	-	-	-	-	186,239	-	186,239
Lease liabilities	-	-	-	-	10,169	-	10,169
Accounts payable	113,550	483,768	24,561	20,880	-	-	642,759
Accrued salaries	98,876	32,452	16,567	27,031	-	-	174,926
Accrued vacation	71,863	31,214	21,878	75,713	-	-	200,668
Grant refunds payable	180,677	101,553	35,319	-	-	-	317,549
Deferred revenue	-	245,599	-	-	-	-	245,599
Noncurrent portion of logn-term debt	-	-	-	-	1,802,747	-	1,802,747
Lease liabilities	-	-	-	-	17,736	-	17,736
Due to other funds	-	38,970	29,228	18	-	(68,216)	-
Total Liabilities	1,045,704	1,886,913	133,487	274,375	2,016,891	(1,758,978)	3,598,392
Net assets:							
Without donor restrictions	294,713	3,024,975	160,876	6,511,623	8,838,023	-	18,830,210
With donor restrictions	9,072	1,106,547	32,882	-	-	-	1,148,501
Total net assets	303,785	4,131,522	193,758	6,511,623	8,838,023	-	19,978,711
	\$ 1,349,489	\$ 6,018,435	\$ 327,245	\$ 6,785,998	\$ 10,854,914	\$ (1,758,978)	\$ 23,577,103

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP (Continued)
All Programs
for the year ended December 31, 2022

	Programs			Supporting Services			Total
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	
Public Support and Revenues:							
Contributions	\$ 250	\$ 961,705	\$ -	\$ -	\$ -	\$ -	\$ 961,955
Federal financial assistance	8,513,455	5,428,274	2,617,425	-	-	-	16,559,154
State financial assistance	-	549,767	-	-	-	-	549,767
Employee Retention Credit	-	-	-	3,477,829	-	-	3,477,829
Local grants	-	12,750	-	-	-	-	12,750
Other grants	-	1,628,259	-	-	-	-	1,628,259
Contribution of nonfinancial assets	175,070	-	-	-	-	-	175,070
Program fees and other	-	109,827	3,200	-	-	-	113,027
Contract services	329,972	-	156,665	-	-	-	486,637
Rent	-	4,800	99,476	-	-	-	104,276
Indirect	-	-	-	1,603,678	-	(1,603,678)	-
Gain on involuntary conversion	64,898	-	-	-	-	-	64,898
Investment return, net	-	5	-	(188,224)	-	-	(188,219)
Other	58,687	6,861	14,995	-	3,619,451	(3,619,451)	80,543
Total public support revenues	9,142,332	8,702,248	2,891,761	4,893,283	3,619,451	(5,223,129)	24,025,946
Expenses:							
Salaries and wages	3,255,782	970,310	391,679	767,463	-	-	5,385,234
Employee taxes and benefits	1,291,786	288,499	100,295	182,815	-	-	1,863,395
Travel	51,508	35,947	22,100	22,657	-	-	132,212
Property and equipment	13,348	528,540	193,874	352	-	-	736,114
Mortgage payments	75,370	74,786	-	53,020	-	-	203,176
Supplies	265,368	84,787	43,742	54,167	-	-	448,064
Contractual	1,448,173	690,584	719,070	201,934	-	-	3,059,761
Communications	223,223	197,656	11,668	21,887	-	-	454,434
Leases	114,663	63,167	31,640	7,836	-	-	217,306
Rentals	13,383	54,202	350	5,694	-	-	73,629
Insurance	98,198	45,463	16,782	32,165	-	-	192,608
Repairs and maintenance	400,272	619,925	95,946	150,270	-	-	1,266,413
Client assistance	-	797,686	963,285	325	-	-	1,761,296

Continued

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
All Programs
for the year ended December 31, 2022

	Programs			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment		
Expenses and losses (continued):							
Food purchases	303,402	4,244,341	-	-	-	-	4,547,743
Other	440,581	2,491,164	210,110	165,900	-	-	3,307,755
Depreciation	-	-	-	-	701,884	(701,884)	-
Local match	175,070	-	-	-	-	-	175,070
Indirect	1,249,346	264,372	89,960	-	-	(1,603,678)	-
Total expenses and losses	<u>9,419,473</u>	<u>11,451,429</u>	<u>2,890,501</u>	<u>1,666,485</u>	<u>701,884</u>	<u>(2,305,562)</u>	<u>23,824,210</u>
Changes in net assets before adjustments to convert expenses to GAAP	<u>(277,141)</u>	<u>(2,749,181)</u>	<u>1,260</u>	<u>3,226,798</u>	<u>2,917,567</u>	<u>(2,917,567)</u>	<u>201,736</u>
Adjustment to Convert Expenses to GAAP							
Property and equipment purchases	(263,257)	(2,930,575)	(277,455)	-	-	-	(3,471,287)
Right-of-use asset acquisition	-	(156,800)	-	-	-	-	(156,800)
Mortgage principal payments	(63,357)	(55,308)	-	(29,499)	-	-	(148,164)
Depreciation expense	334,772	219,562	54,457	93,093	-	-	701,884
Total adjustment to expenses	<u>8,158</u>	<u>(2,923,121)</u>	<u>(222,998)</u>	<u>63,594</u>	<u>-</u>	<u>-</u>	<u>(3,074,367)</u>
Total expenses after adjustments	<u>9,427,631</u>	<u>8,528,308</u>	<u>2,667,503</u>	<u>1,730,079</u>	<u>701,884</u>	<u>(2,305,562)</u>	<u>20,749,843</u>
Changes in net assets after adjustments to convert to GAAP	\$ <u>(285,299)</u>	\$ <u>173,940</u>	\$ <u>224,258</u>	\$ <u>3,163,204</u>	\$ <u>2,917,567</u>	\$ <u>(2,917,567)</u>	\$ <u>3,276,103</u>

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
All Programs
for the year ended December 31, 2022

	Programs			Supporting Services		Eliminations	Total
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment		
Cash flows from operating activities:							
Changes in net assets	\$ (277,141)	\$ (2,749,181)	\$ 1,260	\$ 3,226,798	\$ 2,917,567	\$ (2,917,567)	\$ 201,736
Adjustments to reconcile changes in net assets to net cash flows from operating activities							
Gain on involuntary conversion	(64,898)	-	-	-	-	-	(64,898)
Realized and unrealized loss on investments	-	-	-	188,219	-	-	188,219
Changes in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	37,588	(69,203)	(1,515)	(3,489,005)	-	-	(3,522,135)
Grants receivable	1,810,824	(696,004)	161,785	-	-	-	1,276,605
Inventories	-	-	-	-	-	-	-
Prepaid expenses	778	15,441	1,523	1,234	-	-	18,976
Due from other funds	-	-	(18)	(12,243)	-	-	(12,261)
Increase (decrease) in liabilities:							
Temporary bank overdraft payable	(1,467,594)	794,608	(156,013)	79,529	-	749,470	-
Accounts payable	(485,850)	84,051	(15,850)	(79,309)	-	-	(496,958)
Accrued salaries	(35,107)	2,701	3,456	(2,275)	-	-	(31,225)
Accrued vacation	26,954	3,966	(5,098)	19,343	-	-	45,165
Grant refund payable	155,801	11,818	5,144	-	-	-	172,763
Deferred revenue	-	98,219	-	-	-	-	98,219
Due to other funds	-	-	12,243	18	-	-	12,261
Net cash provided by operating activities	<u>(298,645)</u>	<u>(2,503,584)</u>	<u>6,917</u>	<u>(67,691)</u>	<u>2,917,567</u>	<u>(2,168,097)</u>	<u>(2,113,533)</u>
Cash flows from investing activities:							
Transfers	(1,500,000)	-	-	1,500,000	-	-	-
Proceeds from sales of investments	-	-	-	885,368	-	-	885,368
Purchase of investments	-	-	-	(877,480)	-	-	(877,480)
Proceeds from involuntary conversion	192,614	-	-	-	-	-	192,614
Net cash provided by operating activities	<u>(1,307,386)</u>	<u>-</u>	<u>-</u>	<u>1,507,888</u>	<u>-</u>	<u>-</u>	<u>200,502</u>
Net change in cash before adjustments to GAAP	<u>(1,606,031)</u>	<u>(2,503,584)</u>	<u>6,917</u>	<u>1,440,197</u>	<u>2,917,567</u>	<u>(2,168,097)</u>	<u>(1,913,031)</u>
Adjustment to Convert Expenses to GAAP							
Property and equipment purchases	-	-	-	-	(3,471,287)	3,471,287	-
Mortgage principal payments	-	-	-	-	(148,164)	148,164	-
Depreciation expense	-	-	-	-	701,884	(701,884)	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,917,567)</u>	<u>2,917,567</u>	<u>-</u>
Net change in cash	(1,606,031)	(2,503,584)	6,917	1,440,197	-	749,470	(1,913,031)
Cash, beginning of year	1,876,800	7,290,137	143,321	697,567	-	(2,440,232)	7,567,593
Cash, end of year	\$ <u>270,769</u>	\$ <u>4,786,553</u>	\$ <u>150,238</u>	\$ <u>2,137,764</u>	\$ <u>-</u>	\$ <u>(1,690,762)</u>	\$ <u>5,654,562</u>

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Early Childhood Development Programs
December 31, 2022

<u>Assets</u>	<u>Head Start Program</u>	<u>Head Start Disaster</u>	<u>Early Head Start Partnership Program</u>	<u>Child Nutrition Program</u>	<u>State Child Development Program</u>	<u>Total</u>
Current assets:						
Cash and cash equivalents	\$ 233	\$ -	\$ 7	\$ 7	\$ 270,522	\$ 270,769
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	34,200	34,200
Grants receivable	498,682	-	411,999	66,381	-	977,062
Inventories	-	-	-	7,695	-	7,695
Prepaid expenses	41,211	-	1,896	739	4,259	48,105
Property and equipment, net	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-
Security deposits	2,000	-	-	-	-	2,000
Due from other funds	2,287	-	-	-	7,371	9,658
Total Assets	<u>\$ 544,413</u>	<u>\$ -</u>	<u>\$ 413,902</u>	<u>\$ 74,822</u>	<u>\$ 316,352</u>	<u>\$ 1,349,489</u>
 <u>Liabilities and Net Assets</u>						
Current liabilities:						
Temporary bank overdraft payable	\$ 178,698	\$ -	\$ 340,118	\$ 61,922	\$ -	\$ 580,738
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	44,149	-	56,245	2,292	10,864	113,550
Accrued salaries	86,340	-	11,262	865	409	98,876
Accrued vacation	63,824	-	6,277	1,762	-	71,863
Grant refunds payable	170,311	-	-	-	10,366	180,677
Deferred revenue	-	-	-	-	-	-
Noncurrent portion of long-term debt	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total Liabilities	<u>543,322</u>	<u>-</u>	<u>413,902</u>	<u>66,841</u>	<u>21,639</u>	<u>1,045,704</u>
 Net assets:						
Without donor restrictions	-	-	-	-	294,713	294,713
With donor restrictions	1,091	-	-	7,981	-	9,072
Total net assets	<u>1,091</u>	<u>-</u>	<u>-</u>	<u>7,981</u>	<u>294,713</u>	<u>303,785</u>
Total net assets	<u>\$ 544,413</u>	<u>\$ -</u>	<u>\$ 413,902</u>	<u>\$ 74,822</u>	<u>\$ 316,352</u>	<u>\$ 1,349,489</u>

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Early Childhood Development Programs
for the year ended December 31, 2022

	Head Start <u>Program</u>	Head Start <u>Disaster</u>	Early Head Start <u>Partnership Program</u>	Child Nutrition <u>Program</u>	State Child Development <u>Program</u>	<u>Total</u>
Public Support and Revenues:						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250
Federal financial assistance	6,720,867	43,700	1,428,650	320,238	-	8,513,455
State financial assistance	-	-	-	-	-	-
Local grants	-	-	-	-	-	-
Other grants	-	-	-	-	-	-
Contribution of nonfinancial assets	-	-	-	-	-	-
Program fees and other	-	-	-	-	-	-
Contract services	-	-	-	-	329,972	329,972
Rent	-	-	-	-	-	-
Indirect	-	-	-	-	-	-
Gain on involuntary conversion	14,976	-	-	-	49,922	64,898
Investment return, net	-	-	-	-	-	-
Local match	175,070	-	-	-	-	175,070
Other	<u>58,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>58,687</u>
Total public support revenues	6,969,381	43,700	1,428,650	320,238	380,363	9,142,332
Expenses and losses:						
Salaries and wages	2,835,795	25,572	305,556	31,294	57,565	3,255,782
Employee taxes and benefits	1,156,266	7,225	51,748	28,499	48,048	1,291,786
Travel	36,307	707	9,494	-	5,000	51,508
Property and equipment	13,348	-	-	-	-	13,348
Mortgage payments	75,370	-	-	-	-	75,370
Supplies	230,683	1,023	11,723	18,109	3,830	265,368
Contractual	504,586	-	937,290	3,828	2,469	1,448,173
Communications	216,732	228	3,426	1,392	1,445	223,223
Leases	108,579	-	5,989	95	-	114,663
Rentals	12,926	-	415	42	-	13,383
Insurance	95,068	-	1,611	1,519	-	98,198
Repairs and maintenance	392,292	-	7,381	599	-	400,272
Client assistance	-	-	-	-	-	-
Food purchases	85,186	-	-	217,249	967	303,402
Other	322,041	1,034	13,562	2,389	101,555	440,581
Depreciation	-	-	-	-	-	-
Local match	175,070	-	-	-	-	175,070
Indirect	<u>768,887</u>	<u>7,911</u>	<u>80,455</u>	<u>15,223</u>	<u>376,870</u>	<u>1,249,346</u>
Total expenses and losses	<u>7,029,136</u>	<u>43,700</u>	<u>1,428,650</u>	<u>320,238</u>	<u>597,749</u>	<u>9,419,473</u>
Changes in net assets before adjustments to convert expenses to GAAP	\$ <u>(59,755)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(217,386)</u>	\$ <u>(277,141)</u>

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Early Childhood Development Programs
for the year ended December 31, 2022

	Head Start Program	Head Start Disaster	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Cash flows from operating activities:						
Changes in net assets	\$ (59,755)	\$ -	\$ -	\$ -	\$ (217,386)	\$ (277,141)
Adjustments to reconcile changes in net assets to net cash flows from operating activities						
Gain on involuntary conversion	(14,976)	-	-	-	(49,922)	(64,898)
Realized and unrealized gains on investments	-	-	-	-	-	-
Changes in assets and liabilities:						
(Increase) decrease in assets:						
Accounts receivable	-	-	-	-	37,588	37,588
Grants receivable	1,903,813	18,774	(92,581)	(19,182)	-	1,810,824
Inventories	-	-	-	-	-	-
Prepaid expenses	(979)	-	(1,234)	740	2,251	778
Due from other funds	-	-	-	-	-	-
Increase (decrease) in liabilities:						
Temporary bank overdraft payable	(1,572,449)	(16,659)	69,944	51,570	-	(1,467,594)
Accounts payable	(496,907)	-	20,478	(17,849)	8,428	(485,850)
Accrued salaries	(36,786)	(2,115)	5,853	(2,468)	409	(35,107)
Accrued vacation	33,231	-	(2,453)	1,706	(5,530)	26,954
Grant refund payable	170,311	-	-	(14,510)	-	155,801
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Net cash provided by operating activities	<u>(74,497)</u>	<u>-</u>	<u>7</u>	<u>7</u>	<u>(224,162)</u>	<u>(298,645)</u>
Cash flows from investing activities						
Transfers	-	-	-	-	(1,500,000)	(1,500,000)
Proceeds from involuntary conversion	74,730	-	-	-	117,884	192,614
	<u>74,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,382,116)</u>	<u>(1,307,386)</u>
Net change in cash	233	-	7	7	(1,606,278)	(1,606,031)
Cash, beginning of year	-	-	-	-	1,876,800	1,876,800
Cash, end of year	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>\$ 270,522</u>	<u>\$ 270,769</u>

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Community Service Programs
December 31, 2022

<u>Assets</u>	Community Services Block Grant	CARES NC	Relief NC	Special Grants	Second Harvest Food Bank of Southeast NC	Second Harvest Food Bank ARPA	Reentry	Consumer Credit Counseling Services	Total
Current assets:									
Cash and cash equivalents	\$ 7,748	\$ 15,200	\$ 326	\$ 37,146	\$ 4,494,556	\$ -	\$ -	\$ 231,577	\$ 4,786,553
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	81,411	-	-	1,950	83,361
Grants receivable	55,179	-	-	-	72,749	961,837	-	-	1,089,765
Inventories	-	-	-	-	-	-	-	-	-
Prepaid expenses	1,422	-	-	-	13,552	-	-	-	14,974
Property and equipment, net	-	-	-	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-	-
Security deposits	4,812	-	-	-	-	-	-	-	4,812
Due from other funds	38,970	-	-	-	-	-	-	-	38,970
Total Assets	<u>\$ 108,131</u>	<u>\$ 15,200</u>	<u>\$ 326</u>	<u>\$ 37,146</u>	<u>\$ 4,662,268</u>	<u>\$ 961,837</u>	<u>\$ -</u>	<u>\$ 233,527</u>	<u>\$ 6,018,435</u>
Liabilities and Net Assets									
Current liabilities:									
Temporary bank overdraft payable	\$ -	\$ -	\$ 240	\$ -	\$ -	\$ 952,076	\$ 1,041	\$ -	\$ 953,357
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	7,534	-	86	236	475,719	193	-	-	483,768
Accrued salaries	11,255	-	-	-	11,629	9,568	-	-	32,452
Accrued vacation	4,522	-	-	-	26,692	-	-	-	31,214
Grant refunds payable	83,587	9,200	-	-	8,766	-	-	-	101,553
Deferred revenue	-	-	-	23,302	222,297	-	-	-	245,599
Noncurrent portion of long-term debt	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	38,970	-	-	-	38,970
Total Liabilities	<u>106,898</u>	<u>9,200</u>	<u>326</u>	<u>23,538</u>	<u>784,073</u>	<u>961,837</u>	<u>1,041</u>	<u>-</u>	<u>1,886,913</u>
Net assets:									
Without donor restrictions	-	-	-	13,608	2,778,881	-	(1,041)	233,527	3,024,975
With donor restrictions	1,233	6,000	-	-	1,099,314	-	-	-	1,106,547
Total net assets	<u>1,233</u>	<u>6,000</u>	<u>-</u>	<u>13,608</u>	<u>3,878,195</u>	<u>-</u>	<u>(1,041)</u>	<u>233,527</u>	<u>4,131,522</u>
Total Assets	<u>\$ 108,131</u>	<u>\$ 15,200</u>	<u>\$ 326</u>	<u>\$ 37,146</u>	<u>\$ 4,662,268</u>	<u>\$ 961,837</u>	<u>\$ -</u>	<u>\$ 233,527</u>	<u>\$ 6,018,435</u>

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Community Service Programs
for the year ended December 31, 2022

	Community Services Block Grant	CARES NC	Relief NC	Special Grants	Second Harvest Food Bank of Southeast NC	Second Harvest Food Bank ARPA	Reentry	Consumer Credit Counseling Services	Total
Public Support and Revenues:									
Contributions	\$ -	\$ -	\$ -	\$ 1,295	\$ 960,410	\$ -	\$ -	\$ -	\$ 961,705
Federal financial assistance	1,317,862	110,264	395,810	-	1,546,656	2,057,682	-	-	5,428,274
State financial assistance	-	-	-	-	549,767	-	-	-	549,767
Local grants	-	-	-	-	12,750	-	-	-	12,750
Other grants	-	-	-	-	1,628,259	-	-	-	1,628,259
Contribution of nonfinancial assets	-	-	-	-	-	-	-	-	-
Program fees and other	-	-	-	-	109,827	-	-	-	109,827
Contract services	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	4,800	-	-	-	4,800
Indirect	-	-	-	-	-	-	-	-	-
Gain on involuntary conversion	-	-	-	-	-	-	-	-	-
Investment return, net	-	-	-	-	-	-	-	5	5
Local match	-	-	-	-	-	-	-	-	-
Other grants	-	-	-	5,409	1,452	-	-	-	6,861
Total public support revenues	1,317,862	110,264	395,810	6,704	4,813,921	2,057,682	-	5	8,702,248
Expenses and losses:									
Salaries and wages	263,628	64,848	70,628	666	513,312	57,228	-	-	970,310
Employee taxes and benefits	81,425	20,160	13,882	-	164,610	8,422	-	-	288,499
Travel	8,089	-	-	2,152	25,706	-	-	-	35,947
Property and equipment	341,790	-	-	-	186,750	-	-	-	528,540
Mortgage payments	-	-	-	-	74,786	-	-	-	74,786
Supplies	11,682	1,666	925	527	65,416	4,571	-	-	84,787
Contractual	129,721	186	11,728	-	493,678	55,271	-	-	690,584
Communications	8,405	1,091	558	-	174,788	12,812	-	2	197,656
Leases	28,637	6,750	6,750	-	20,504	526	-	-	63,167
Rentals	297	-	-	-	35,159	18,746	-	-	54,202
Insurance	4,155	-	-	-	41,308	-	-	-	45,463
Repairs and maintenance	26,324	-	-	-	433,233	160,368	-	-	619,925
Client assistance	324,104	197,412	275,681	489	-	-	-	-	797,686
Food purchases	-	-	-	-	2,535,906	1,708,435	-	-	4,244,341
Other	39,327	2,319	2,839	1,354	2,430,153	14,588	-	584	2,491,164
Depreciation	-	-	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-	-	-
Indirect	50,278	10,445	12,819	1,516	172,599	16,715	-	-	264,372
Total expenses and losses	1,317,862	304,877	395,810	6,704	7,367,908	2,057,682	-	586	11,451,429
Changes in net assets before adjustments to convert expenses to GAAP	\$ -	\$ (194,613)	\$ -	\$ -	\$ (2,553,987)	\$ -	\$ -	\$ (581)	\$ (2,749,181)

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Community Service Programs
for the year ended December 31, 2022

	Community Services Block Grant	CARES NC	Relief NC	Special Grants	Second Harvest Food Bank of Southeast NC	Second Harvest Food Bank ARPA	Reentry	Consumer Credit Counseling Services	Total
Cash flows from operating activities:									
Changes in net assets	\$ -	\$ (194,613)	\$ -	\$ -	\$ (2,553,987)	\$ -	\$ -	\$ (581)	\$ (2,749,181)
Adjustments to reconcile changes in net assets to net cash flows from operating activities									
Gain on involuntary conversion	-	-	-	-	-	-	-	-	-
Realized and unrealized gains on investments	-	-	-	-	-	-	-	-	-
Changes in assets and liabilities:									
(Increase) decrease in assets:									
Accounts receivable	-	-	-	-	(69,203)	-	-	-	(69,203)
Grants receivable	(16,617)	-	159,114	-	123,336	(961,837)	-	-	(696,004)
Inventories	-	-	-	-	-	-	-	-	-
Prepaid expenses	4,451	1,282	1,470	-	8,238	-	-	-	15,441
Due from other funds	-	-	-	-	-	-	-	-	-
Increase (decrease) in liabilities:									
Temporary bank overdraft payable	-	-	(157,468)	-	-	952,076	-	-	794,608
Accounts payable	200	(1,853)	(1,217)	235	86,493	193	-	-	84,051
Accrued salaries	164	(3,603)	(1,573)	-	(1,855)	9,568	-	-	2,701
Accrued vacation	(1,208)	(447)	-	-	5,621	-	-	-	3,966
Grant refund payable	2,618	9,200	-	-	-	-	-	-	11,818
Deferred revenue	-	-	-	11,896	86,323	-	-	-	98,219
Due to other funds	-	-	-	-	-	-	-	-	-
Net cash provided by operating activities	<u>(10,392)</u>	<u>(190,034)</u>	<u>326</u>	<u>12,131</u>	<u>(2,315,034)</u>	<u>-</u>	<u>-</u>	<u>(581)</u>	<u>(2,503,584)</u>
Net change in cash	(10,392)	(190,034)	326	12,131	(2,315,034)	-	-	(581)	(2,503,584)
Cash, beginning of year	<u>18,140</u>	<u>205,234</u>	<u>-</u>	<u>25,015</u>	<u>6,809,590</u>	<u>-</u>	<u>-</u>	<u>232,158</u>	<u>7,290,137</u>
Cash, end of year	<u>\$ 7,748</u>	<u>\$ 15,200</u>	<u>\$ 326</u>	<u>\$ 37,146</u>	<u>\$ 4,494,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,577</u>	<u>\$ 4,786,553</u>

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Low Income Housing Programs
December 31, 2022

<u>Assets</u>	<u>Weatherization Program</u>	<u>Weatherization CARES</u>	<u>Weatherization ARPA</u>	<u>Duke Energy Helping Home Fund</u>	<u>BlueCross BlueShield Health Home Initiative</u>	<u>Affordable Housing</u>	<u>Total</u>
Current assets:							
Cash and cash equivalents	\$ 6,360	\$ 3,059	\$ -	\$ 19,784	\$ 13,083	\$ 107,952	\$ 150,238
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	41,847	-	10,968	52,815
Grants receivable	117,613	-	-	-	-	-	117,613
Inventories	-	-	-	-	-	-	-
Prepaid expenses	3,866	-	-	-	-	1,857	5,723
Property and equipment, net	-	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-
Security deposits	838	-	-	-	-	-	838
Due from other funds	-	-	-	-	-	18	18
Total Assets	\$ <u>128,677</u>	\$ <u>3,059</u>	\$ <u>-</u>	\$ <u>61,631</u>	\$ <u>13,083</u>	\$ <u>120,795</u>	\$ <u>327,245</u>
 <u>Liabilities and Net Assets</u>							
Current liabilities:							
Temporary bank overdraft payable	\$ 5,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,934
Current portion of long-term debt	-	-	-	-	-	-	-
Accounts payable	19,156	-	-	4,345	1,000	60	24,561
Accrued salaries	16,567	-	-	-	-	-	16,567
Accrued vacation	21,878	-	-	-	-	-	21,878
Grant refunds payable	32,260	3,059	-	-	-	-	35,319
Deferred revenue	-	-	-	-	-	-	-
Noncurrent portion of long-term debt	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	29,228	29,228
Total Liabilities	<u>95,795</u>	<u>3,059</u>	<u>-</u>	<u>4,345</u>	<u>1,000</u>	<u>29,288</u>	<u>133,487</u>
 Net assets:							
Without donor restrictions	-	-	-	57,286	12,083	91,507	160,876
With donor restrictions	<u>32,882</u>	-	-	-	-	-	<u>32,882</u>
Total net assets	<u>32,882</u>	<u>-</u>	<u>-</u>	<u>57,286</u>	<u>12,083</u>	<u>91,507</u>	<u>193,758</u>
	\$ <u>128,677</u>	\$ <u>3,059</u>	\$ <u>-</u>	\$ <u>61,631</u>	\$ <u>13,083</u>	\$ <u>120,795</u>	\$ <u>327,245</u>

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Low Income Housing Programs
for the year ended December 31, 2022

	Weatherization Program	Weatherization CARES	Weatherization ARPA	Duke Energy Helping Home Fund	BlueCross BlueShield Health Home Initiative	Affordable Housing	Total
Public Support and Revenues:							
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal financial assistance	2,357,096	-	260,329	-	-	-	2,617,425
State financial assistance	-	-	-	-	-	-	-
Local grants	-	-	-	-	-	-	-
Other grants	-	-	-	-	-	-	-
Contribution of nonfinancial assets	-	-	-	-	-	-	-
Program fees and other	3,200	-	-	-	-	-	3,200
Contract services	-	-	-	133,356	23,309	-	156,665
Rent	-	-	-	-	-	99,476	99,476
Indirect	-	-	-	-	-	-	-
Gain on involuntary conversion	-	-	-	-	-	-	-
Investment return, net	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
Other	-	-	-	4,925	4,532	5,538	14,995
Total public support revenues	<u>2,360,296</u>	<u>-</u>	<u>260,329</u>	<u>138,281</u>	<u>27,841</u>	<u>105,014</u>	<u>2,891,761</u>
Expenses and losses:							
Salaries and wages	322,875	-	68,304	500	-	-	391,679
Employee taxes and benefits	88,268	-	11,839	188	-	-	100,295
Travel	20,193	-	-	1,907	-	-	22,100
Property and equipment	161,972	-	31,902	-	-	-	193,874
Mortgage payments	-	-	-	-	-	-	-
Supplies	26,334	-	17,274	134	-	-	43,742
Contractual	588,499	-	45,416	56,526	25,099	3,530	719,070
Communications	11,327	-	175	166	-	-	11,668
Leases	30,529	-	-	1,111	-	-	31,640
Rentals	350	-	-	-	-	-	350
Insurance	11,211	-	-	-	-	5,571	16,782
Repairs and maintenance	38,751	-	-	27	-	57,168	95,946
Client assistance	818,623	-	53,545	68,624	20,228	2,265	963,285
Food purchases	-	-	-	-	-	-	-
Other	162,770	-	22,805	5,984	500	18,051	210,110
Depreciation	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-
Indirect	78,594	-	9,069	2,297	-	-	89,960
Total expenses and losses	<u>2,360,296</u>	<u>-</u>	<u>260,329</u>	<u>137,464</u>	<u>45,827</u>	<u>86,585</u>	<u>2,890,501</u>
Changes in net assets before adjustments to convert expenses to GAAP	\$ -	\$ -	\$ -	\$ 817	\$ (17,986)	\$ 18,429	\$ 1,260

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Low Income Housing Programs
for the year ended December 31, 2022

	Weatherization Program	Weatherization CARES	Weatherization ARPA	Duke Energy Helping Home Fund	BlueCross BlueShield Health Home Initiative	Affordable Housing	Total
Cash flows from operating activities:							
Changes in net assets	\$ -	\$ -	\$ -	\$ 817	\$ (17,986)	\$ 18,429	\$ 1,260
Adjustments to reconcile changes in net assets to net cash flows from operating activities							
Gain on involuntary conversion	-	-	-	-	-	-	-
Realized and unrealized gains on investments	-	-	-	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	-	-	-	(41,847)	43,298	(2,966)	(1,515)
Grants receivable	151,018	-	10,767	-	-	-	161,785
Inventories	-	-	-	-	-	-	-
Prepaid expenses	3,380	-	-	-	-	(1,857)	1,523
Due from other funds	-	-	-	-	-	(18)	(18)
Increase (decrease) in liabilities:							
Temporary bank overdraft payable	(135,477)	-	(10,767)	-	(9,769)	-	(156,013)
Accounts payable	(16,063)	-	-	2,682	(2,460)	(9)	(15,850)
Accrued salaries	3,456	-	-	-	-	-	3,456
Accrued vacation	(5,098)	-	-	-	-	-	(5,098)
Grant refund payable	5,144	-	-	-	-	-	5,144
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	12,243	12,243
Net cash provided by operating activities	<u>6,360</u>	<u>-</u>	<u>-</u>	<u>(38,348)</u>	<u>13,083</u>	<u>25,822</u>	<u>6,917</u>
Net change in cash	6,360	-	-	(38,348)	13,083	25,822	6,917
Cash, beginning of year	<u>-</u>	<u>3,059</u>	<u>-</u>	<u>58,132</u>	<u>-</u>	<u>82,130</u>	<u>143,321</u>
Cash, end of year	<u>\$ 6,360</u>	<u>\$ 3,059</u>	<u>\$ -</u>	<u>\$ 19,784</u>	<u>\$ 13,083</u>	<u>\$ 107,952</u>	<u>\$ 150,238</u>

Action Pathways, Inc.
Statement of Revenues, Expenses, and Changes in Net Assets - Non-GAAP (Continued)
Head Start Program Grant Number 04-CH2017/04-HP0364/04-NC0020
December 31, 2022

Public Support and Revenues:

Department of Health and Human Services - Head Start:

Current Year - new obligations	
Full year-part day and special needs (G044122)	\$ 6,684,560
Training and technical assistance (G044120)	36,306
Early program (G044125)	1,419,156
Training and technical assistance (G044121)	9,494
Disaster Program	42,994
Training and technical assistance Disaster Program	<u>707</u>
Total Head Start funds	<u>8,193,217</u>

Other Revenues and Public Support:

USDA reimbursement grants	239,846
Grantees non federal share - budget amount	175,070
USDA Adult Lunch Revenues	80,392
Child Care reimbursement	-
Other	<u>58,469</u>
Total other revenue and public support	<u>553,777</u>
 Total revenue	 <u>8,746,994</u>

Expenses:

Head Start/Early Head Start - 04CH0002017 & Full year-part day (PG44122):

Direct Costs:	
Salaries and wages	2,835,795
Fringe Benefits	1,156,266
Equipment	13,348
Expendable equipment and equipment rental	-
Supplies	230,683
Contractual and space costs	504,586
Other	1,233,464
Subtotal	<u>5,974,142</u>
Indirect costs	<u>768,887</u>
Total	<u>6,743,029</u>

Training and technical assistance (G044120):

Direct Costs:	
Travel	<u>36,306</u>

Early Head Start Child Care Partnership (G044122) - 04HP000364:

Direct costs:	
Salaries and wages	305,556
Fringe Benefits	51,748
Equipment	-
Expendable equipment and equipment rental	-
Supplies	11,723
Contractual and space costs	937,290
Other	<u>32,384</u>
Subtotal	<u>1,338,701</u>
Indirect costs	<u>80,455</u>
Total	<u>1,419,156</u>

Training and technical assistance (G044121):

Direct Costs:	
Travel	<u>9,494</u>

Action Pathways, Inc.
Statement of Revenues, Expenses, and Changes in Net Assets - Non-GAAP
Head Start Program Grant Number 04-CH2017/04-HP0364/04-NC0020
December 31, 2022

Disaster Assistance (G040800) - 04ND000020	
Direct Costs:	
Salaries and wages	25,572
Fringe Benefits	7,225
Equipment	-
Expendable equipment and equipment rental	-
Supplies	1,023
Contractual and space costs	-
Other	<u>1,263</u>
Subtotal	35,083
Indirect costs	<u>7,911</u>
Total	<u>42,994</u>
Training and technical assistance (G044121)	
Direct Costs:	
Travel	<u>707</u>
Head Start Total	<u>8,251,686</u>
Other Expenses:	
USDA reimbursement funds	
Direct Costs:	
Salaries and wages	31,294
Fringe Benefits	28,499
Supplies	18,109
Contractual and space costs	3,828
Other	<u>223,285</u>
Subtotal	305,015
Indirect costs	<u>15,223</u>
USDA total	<u>320,238</u>
Public Support	
Head Start Full Year Part-Day (G044122)	
In-kind contributions	1,670
Head Start Early (G044125)	
In-kind contributions	<u>173,400</u>
Public Support Total	<u>175,070</u>
Total expenditures	<u>8,746,994</u>
Change in net assets	-
Net assets at beginning of year	<u>1,091</u>
Net assets at end of year	<u>1,091</u>
Analysis of net assets	
With Donor Restrictions	
NC Transition Grant	\$ <u>1,091</u>

Head Start Administrative Costs Calculation:

Administrative costs divided by grant revenue $(\$1,101 + \$7911) / (\$51,094 + \$42,994) = 10\%$ (04ND0000020)

Administrative costs divided by grant revenue $\$80,455 / \$1,419,156 = 6\%$ (04HP000364)

Administrative costs divided by grant revenue $\$768,887 / \$6,743,029 = 11\%$ (04CH0002017)

Conclusion - Final administrative costs do not exceed the 15% statutory limitation

Action Pathways, Inc.
Statement of Revenues, Expenses, and Changes in Net Assets - Non-GAAP
Community Services Block Grant (Contract Numbers 42299 and 44318)
for the year ended December 31, 2022

	Grant Period Ending <u>June 30, 2022</u> ¹	Grant Period Ending <u>June 30, 2023</u> ²	<u>Total</u>
Public support, government grants, and revenues:			
Federal pass through	\$ <u>896,400</u>	\$ <u>421,462</u>	\$ <u>1,317,862</u>
Total public support, government grants, and revenues	896,400	421,462	1,317,862
Expenditures:			
Direct costs:			
Salaries and wages	138,300	125,328	263,628
Fringe benefits	41,507	39,918	81,425
Supplies and materials	7,987	3,596	11,583
Equipment	346,622	-	346,622
Travel	-	356	356
Utilities	6,778	5,041	11,819
Repairs and maintenance	6,787	31,599	38,386
Staff development	11,265	16,569	27,834
Communications	1,021	1,508	2,529
Rent	17,593	10,194	27,787
Professional services	167	3,890	4,057
Dues	2,049	-	2,049
Other	<u>297,877</u>	<u>151,633</u>	<u>449,510</u>
Total direct costs	877,953	389,632	1,267,585
Indirect costs	<u>18,447</u>	<u>31,830</u>	<u>50,277</u>
Total expenditures	<u>896,400</u>	<u>421,462</u>	<u>1,317,862</u>
Change in net assets	-	-	-
Net assets, beginning of year	-	-	-
Net assets, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Analysis of Net Assets			
CSBG Programs	\$ -	\$ -	\$ -
NonGrant funds - With Donor Restriction	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

¹ Reports the 6 month period from January 1, 2022 to June 30, 2022

² Reports the 6 month period from July 1, 2022 to December 31, 2022

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual - Non-GAAP
Community Services Block Grant (Contract# 42299)
for the six months ended December 31, 2021 and June 30, 2022

	Six Months Ended <u>Dec 31, 2021</u> ¹	Six Months Ended <u>June 30, 2022</u> ²	<u>Total</u>	<u>Budget</u> ³	Variance Favorable (Unfavorable)
Public support, government grants, and revenues					
Federal pass-through	\$ 387,380	\$ 896,400	\$ 1,283,780	\$ 1,456,699	\$ 172,919
Total public support, government grants, and revenues	387,380	896,400	1,283,780	1,456,699	172,919
Expenditures					
Direct costs					
Salaries and wages	123,580	138,300	261,880	290,087	28,207
Fringe benefits	36,332	41,507	77,839	100,980	23,141
Supplies and materials	10,647	7,987	18,634	35,043	16,409
Equipment	2,744	346,622	349,366	363,900	14,534
Travel	352	-	352	3,360	3,008
Utilities	6,410	6,778	13,188	22,962	9,774
Repairs and maintenance	8,281	6,787	15,068	19,230	4,162
Staff development	23,324	11,265	34,589	38,851	4,262
Communications	1,299	1,021	2,320	9,173	6,853
Rent	18,707	17,593	36,300	36,300	-
Professional services	-	167	167	1,480	1,313
Dues	1,553	2,049	3,602	4,500	898
Other	118,583	297,877	416,460	468,653	52,193
Total direct costs	351,812	877,953	1,229,765	1,394,519	164,754
Indirect costs	35,568	18,447	54,015	62,180	8,165
Total expenditures	387,380	896,400	1,283,780	1,456,699	172,919
Changes in net assets	-	-	-	-	-
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -
Analysis of Net Assets					
NonGrant funds - With Donor Restriction	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -

¹ Reports the 6 month period from July 1, 2021 to December 31, 2021

² Reports the 6 month period from January 1, 2022 to June 30, 2022

³ For the July 1, 2022 through June 30, 2023 budget period

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual - Non-GAAP
Community Services Block Grant (Contract Number 44318)
for the grant period July 1, 2022 through June 30, 2023

	<u>Budget</u> ¹	<u>Six Months Ended Dec 31, 2022</u> ²	<u>Variance Favorable (Unfavorable)</u>
Public support, government grants, and revenues			
Federal pass-through	\$ 1,277,430	\$ 1,102,989	\$ (174,441)
Total public support, government grants, and revenues	1,277,430	1,102,989	(174,441)
Expenditures			
Direct costs			
Salaries and wages	277,870	268,798	9,072
Fringe benefits	94,813	88,416	6,397
Supplies and materials	25,200	18,566	6,634
Equipment	126,555	118,690	7,865
Travel	3,360	573	2,787
Utilities	22,530	11,463	11,067
Repairs and maintenance	59,488	38,826	20,662
Staff development	35,358	33,230	2,128
Communications	9,173	7,815	1,358
Rent	25,068	11,007	14,061
Professional services	51,816	18,110	33,706
Dues	17,497	15,107	2,390
Other	456,776	400,462	56,314
Total direct costs	<u>1,205,504</u>	<u>1,031,063</u>	<u>174,441</u>
Indirect costs	<u>71,926</u>	<u>71,926</u>	<u>-</u>
Total expenditures	<u>1,277,430</u>	<u>1,102,989</u>	<u>174,441</u>
Changes in net assets	-	-	-
Net assets, July 1, 2022	-	-	-
Net assets, December 31, 2022	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Analysis of Net Assets			
CSBG Programs	\$ -	\$ -	\$ -
NonGrant funds - With Donor Restriction	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

¹ For the July 1, 2022 through June 30, 2023 budget period

² Reports the 6 month period from July 1, 2022 to December 31, 2022

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual
Community Services Block Grant - CARES NC, Contract Number 40893
for the nine month period ended September 30, 2022

	<u>Budget</u> ¹	<u>Actual</u> ²	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Public support, government grants and revenues			
Federal pass through	\$ 131,465	\$ 110,264	\$ 21,201
Total public support, government grants and revenues	<u>131,465</u>	<u>110,264</u>	<u>21,201</u>
 Expenditures			
Direct costs			
Salaries and wages	58,495	64,848	(6,353)
Fringe benefits	53,657	20,160	33,497
Communications	12,570	1,091	11,479
Space costs	15,327	8,548	6,779
Travel	2,406	145	2,261
Contractual	1,772	533	1,239
Supplies and materials	3,947	1,666	2,281
Client services	163,542	197,412	(33,870)
Equipment	345	-	345
Other	2,005	29	1,976
Total direct costs	314,066	294,432	19,634
Indirect costs	<u>18,012</u>	<u>10,445</u>	<u>7,567</u>
Total expenditures	<u>332,078</u>	<u>304,877</u>	<u>27,201</u>
 Changes in net assets	(200,613)	(194,613)	(6,000)
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(6,000)</u></u>
 Analysis of Net Assets			
CSBG Programs	\$ -	\$ -	\$ (6,000)
NonGrant funds - With Donor Restriction	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

¹ Reports the remaining budget as of January 1, 2022

² Reports the 9 month period January 1, 2022 through September 30, 2022

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual - Non-GAAP
Community Services Block Grant - Relief NC (Contract Number 40731)
for the nine months ended September 30, 2022

	<u>Budget ¹</u>	<u>Actual ²</u>	<u>Variance Favorable (Unfavorable)</u>
Public support, government grants and revenues			
Federal pass through	\$ <u>445,536</u>	\$ <u>395,810</u>	\$ <u>(49,726)</u>
Total public support, government grants and revenues	<u>445,536</u>	<u>395,810</u>	<u>(49,726)</u>
Expenditures			
Direct costs			
Salaries and wages	126,980	70,628	56,352
Fringe benefits	38,410	13,882	24,528
Supplies and materials	3,728	925	2,803
Equipment	1,430	-	1,430
Travel	9,798	-	9,798
Utilities	6,772	542	6,230
Staff development	2,000	48	1,952
Communications	2,306	558	1,748
Rent	20,043	6,750	13,293
Professional services	2,369	29	2,340
Dues	1,134	564	570
Other	<u>212,104</u>	<u>289,065</u>	<u>(76,961)</u>
Total direct costs	427,074	382,991	44,083
Indirect costs	<u>18,462</u>	<u>12,819</u>	<u>5,643</u>
Total expenditures	<u>445,536</u>	<u>395,810</u>	<u>49,726</u>
Changes in net assets	-	-	-
Net assets, beginning of period	-	-	-
Net assets, end of period	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Analysis of Net Assets			
CSBG Programs	\$ -	\$ -	\$ -
NonGrant funds - With Donor Restriction	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

¹ Reports the remaining budget as of January 1, 2022

² Reports the 9 month period January 1, 2022 through September 30, 2022

Action Pathways, Inc.
Statement of Revenues and Expenses – Budget and Actual – Non-GAAP (Continued)
Weatherization, HARRP, and LIHEAP Programs Contract Number CW22586 8204
for the six months ended December 31, 2021 and June 30, 2022

	Six Months Ended <u>December 31, 2021</u>	Six Months Ended <u>June 30, 2022</u>	<u>Total</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Weatherization:					
Public Support and Revenues:					
Landlord Contributions	\$ 275	\$ -	\$ 275	\$ -	\$ 275
Grant Funds:					
Total Grant	196,614	578,865	775,479	831,727	(56,248)
Reduction for unexpended grant funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenues	<u>196,889</u>	<u>578,865</u>	<u>775,754</u>	<u>831,727</u>	<u>(55,973)</u>
Expenses:					
Weatherization Assistance					
Administration	6,890	34,698	41,588	55,062	13,474
Training and Technical Assistance	20,402	29,243	49,645	92,144	42,499
Health & Safety	35,895	113,793	149,688	149,688	-
Program Operations	<u>133,702</u>	<u>401,131</u>	<u>534,833</u>	<u>534,833</u>	<u>-</u>
Total Expenses	<u>196,889</u>	<u>578,865</u>	<u>775,754</u>	<u>831,727</u>	<u>55,973</u>
Changes in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
HARRP:					
Public Support and Revenues:					
Landlord Contributions	\$ -	\$ 3,200	\$ 3,200	\$ -	\$ 3,200
Grant Funds:					
Total Grant	363,181	324,371	687,552	699,109	(11,557)
Reduction for unexpended grant funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenues	<u>363,181</u>	<u>327,571</u>	<u>690,752</u>	<u>699,109</u>	<u>(8,357)</u>
Expenses:					
Administration	6,014	18,173	24,187	32,544	8,357
Program Operations	<u>357,167</u>	<u>309,398</u>	<u>666,565</u>	<u>666,565</u>	<u>-</u>
Total Expenditures	<u>363,181</u>	<u>327,571</u>	<u>690,752</u>	<u>699,109</u>	<u>8,357</u>
Changes in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Action Pathways, Inc.
Statement of Revenues and Expenses – Budget and Actual – Non-GAAP
Weatherization, HARRP, and LIHEAP Programs Contract Number CW22586 8204
for the six months ended December 31, 2021 and June 30, 2022

	Six Months Ended December 31, 2021	Six Months Ended June 30, 2022	Total	Budget	Variance Favorable (Unfavorable)
LIHEAP:					
Public Support and Revenues:					
Landlord Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-	-
Local Matching	-	-	-	-	-
Grant Funds:					
Total Grant	308,056	706,067	1,014,123	1,024,915	(10,792)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support and Revenues	<u>308,056</u>	<u>706,067</u>	<u>1,014,123</u>	<u>1,024,915</u>	<u>(10,792)</u>
Expenses:					
Administration	13,732	35,200	48,932	58,234	9,302
Program Operations	242,214	530,444	772,658	773,346	688
Health & Safety	52,110	140,423	192,533	193,335	802
Total Expenditures	<u>308,056</u>	<u>706,067</u>	<u>1,014,123</u>	<u>1,024,915</u>	<u>10,792</u>
Changes in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual - Non-GAAP
NC DEQ - NC WAP ARPA (HARRP and LIHEAP Programs) Contract Number CW26068
for the grant period ended September 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
HARRP			
Public support, government grants and revenues			
Total grant	\$ <u>98,686</u>	\$ <u>96,754</u>	\$ <u>1,932</u>
Total public support, government grants and revenues	<u>98,686</u>	<u>96,754</u>	<u>1,932</u>
Expenditures			
Administration	4,552	2,620	(1,932)
Program operations	<u>94,134</u>	<u>94,134</u>	<u>-</u>
Total expenditures	<u>98,686</u>	<u>96,754</u>	<u>(1,932)</u>
Change in net assets	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
LIHEAP			
Public support, government grants and revenues			
Total grant	<u>163,872</u>	<u>163,575</u>	<u>297</u>
Total public support, government grants and revenues	<u>163,872</u>	<u>163,575</u>	<u>297</u>
Expenditures			
Administration	6,747	6,450	(297)
Program operations	<u>157,125</u>	<u>157,125</u>	<u>-</u>
Total expenditures	<u>163,872</u>	<u>163,575</u>	<u>(297)</u>
Change in net assets	\$ <u><u>-</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, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 4,494,556
Accounts receivable	81,411
Grants receivable	72,749
Prepaid expenses	<u>13,552</u>
Total assets	<u><u>4,662,268</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	475,719
Accrued salaries	11,629
Accrued vacation	26,692
Grant refunds payable	8,766
Deferred revenue	<u>222,297</u>
Total current liabilities	745,103

Due to other funds	<u>38,970</u>
Total liabilities	<u><u>784,073</u></u>

Net assets:

Without donor restrictions	2,778,881
With donor restrictions	<u>1,099,314</u>
Total net assets	<u><u>3,878,195</u></u>
Total liabilities and net assets	<u><u>\$ 4,662,268</u></u>

Action Pathways, Inc.
Statement of Public Support and Revenues and Functional Expenditures - Non-GAAP (Continued)
Second Harvest Food Bank of Southeast NC (unaudited)
for the year ended December 31, 2022

Public Support and Revenues

Grant revenue		
Federal and federal pass-through	\$	1,546,656
State		549,767
Local		12,750
Other		<u>1,628,259</u>
Total grants assistance		3,737,432
Donations:		
Cash		960,410
Food		<u>36,057,000</u>
Total donations		37,017,410
Fees:		
Shared maintenance		99,857
Dues		<u>9,970</u>
Total fees		109,827
Other		
Miscellaneous income		1,452
Rental income		<u>4,800</u>
Total other		<u>6,252</u>
Total public support and revenues		40,870,921

Expenditures

Administration:		
Personnel		76,997
Payroll taxes		4,339
Fringe benefits		17,661
Supplies		9,812
Contractual and space		74,051
Indirect		172,599
Other		<u>249,588</u>
Total administration		605,047
Operating		
Personnel		384,984
Payroll taxes		21,695
Fringe benefits		88,307
Travel		22,675
Supplies		49,062
Contractual and space		370,259
Communications		176,928
Food purchases	\$	2,535,906

Action Pathways, Inc.
Statement of Public Support and Revenues and Functional Expenditures - Non-GAAP
Second Harvest Food Bank of Southeast NC (unaudited)
for the year ended December 31, 2022

Equipment	\$	186,750
Rentals leased repairs		530,203
Donated food - distributed		27,787,156
Indirect		172,599
Insurance		49,190
Other		<u>2,275,131</u>
Total operating		<u>34,650,845</u>
Fundraising		
Personnel		51,331
Payroll taxes		2,893
Fringe benefits		11,774
Supplies		6,542
Contractual and space		49,368
Other		<u>9,655</u>
Total fundraising		<u>131,563</u>
Total expenditures		<u>35,387,455</u>
Increase (decrease) in net assets	\$	<u><u>5,483,466</u></u>

COMPLIANCE SECTION



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Angela W. Banask

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards***

Independent Auditors' Report

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

We have audited 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, the financial statements of Action Pathways, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 September 29, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Action Pathways, Inc.'s internal control over financial reporting ("internal control") as a basis for designing 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 Action Pathways, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Action Pathways, Inc.'s internal control.

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

MPC Company LLP

September 29, 2023



MPCCompany LLP
Certified Public Accountants

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditors' Report

Board of Directors
Action Pathways, Inc.
Fayetteville, NC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Action Pathways, Inc.'s 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 Action Pathways, Inc.'s major federal programs for the year ended December 31, 2022. Action Pathways, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Action Pathways, Inc. complied, in all material respects, with the 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, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Action Pathways, Inc. 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 Action Pathways, Inc.'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 Action Pathways, Inc.'s federal programs.

Auditors' 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 Action Pathways, Inc.'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 GAAS, *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 Action Pathways, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Action Pathways, Inc.'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 Action Pathways, Inc.'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 Action Pathways, Inc.'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 Auditors' 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.

MPC Company LLP

September 29, 2023

Action Pathways, Inc.
 Schedule of Findings and Questioned Costs
 for the year ended December 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? Yes No

Are any significant deficiencies identified? Yes None reported

Is any noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified? Yes No

Are any significant deficiencies identified? Yes None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of federal program or cluster</u>
93.600	Full year Head Start – Part Day
93.600	COVID-19 Full year Head Start – Part Day
21.027	Coronavirus Relief Funds

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

Auditee qualified as a low-risk auditee? Yes No

Action Pathways, Inc.
Schedule of Findings and Questioned Costs
for the year ended December 31, 2022

Section II. Financial Statement Findings

None.

Section III. Federal Awards Findings

None.

Action Pathways, Inc.
Summary Schedule of Prior Audit Findings
for the year ended December 31, 2022

There were not 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
for the year ended December 31, 2022

Federal Grantor / Nonfederal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures	In-Kind Program Income and Other Local Expenditures
<u>U. S. Department of Health and Human Services</u>			
Direct Programs:			
Full year Head Start - Part Day	93.600	\$ 6,779,336	\$ 175,070
Early HeadStart Child Care Partnership	93.600	<u>1,428,650</u>	<u>-</u>
		8,207,986	175,070
Head Start Natural Disaster	93.536	<u>43,700</u>	<u>-</u>
		<u>8,251,686</u>	<u>175,070</u>
Passed-through NC Department of Health and Human Services/Office of Economic Opportunity:			
Community Services Block Grant	93.569	1,317,862	-
COVID-19 Community Services Block Grant	93.569	304,877	-
Community Services Block Grant - Relief NC	93.569	<u>395,810</u>	<u>-</u>
		<u>2,018,549</u>	<u>-</u>
Passed-through NC Department of Health and Human Services/NC Department of Environmental Quality:			
Weatherization Assistance for Low-Income Persons	93.568	1,077,419	-
COVID-19 - Weatherization Assistance for Low-Income Persons	93.568	163,575	-
Heating Appliance Repair and Replacement Program	93.568	566,868	-
COVID-19 - Heating Appliance Repair and Replacement Program	93.568	<u>96,754</u>	<u>-</u>
		<u>1,904,616</u>	<u>-</u>
		<u>12,174,851</u>	<u>175,070</u>
<u>U. S. Department of Agriculture</u>			
Passed-through NC Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	<u>320,239</u>	<u>-</u>
Emergency Food Assistance Cluster			
Passed-through NC Department of Agriculture:			
Emergency Food Assistance Program (Administrative costs)	10.568	<u>527,097</u>	<u>-</u>
Emergency Food Assistance Program (Food commodities) - EFO	10.569	2,267,656	-
Emergency Food Assistance Program (Food commodities) - COSUP	10.569	182,709	-
Emergency Food Assistance Program (Food commodities) - BBB	10.569	959,033	-
Emergency Food Assistance Program (Food commodities) - DRF	10.569	275,232	-
Emergency Food Assistance Program (Food commodities) - FFCRA	10.569	<u>3,157</u>	<u>-</u>
Non-cash assistance		<u>3,687,787</u>	<u>-</u>
Total Emergency Food Assistance Cluster		<u>4,214,884</u>	<u>-</u>
		<u>4,535,123</u>	<u>-</u>

Continued

Action Pathways, Inc.
Schedule of Expenditures of Federal and State Awards
for the year ended December 31, 2022

Federal Grantor / Nonfederal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures	In-Kind Program Income and Other Local Expenditures
<u>U.S. Department of Treasury</u>			
Passed through NC Department of Agriculture and Consumer Services:			
Coronavirus State and Local Fiscal Relief Funds	21.027	<u>2,057,682</u>	<u>-</u>
 <u>Federal Emergency Management Agency</u>			
Direct Programs:			
Emergency Food and Shelter Program	97.024	30,424	-
COVID-19 - Emergency Food and Shelter Program	97.024	<u>27,682</u>	<u>-</u>
		<u>58,106</u>	<u>-</u>
 <u>U. S. Department of Energy</u>			
Passed-through NC Department of Environmental Quality:			
Weatherization Assistance for Low-Income Persons	81.042	<u>716,011</u>	<u>-</u>
Total expenditures of federal awards		\$ <u>19,541,773</u>	\$ <u>175,070</u>
 <u>State of North Carolina Grant Program</u>			
State Nutrition Assistance Grant	44108	<u>576,803</u>	<u>-</u>
Total expenditures of state awards		<u>576,803</u>	<u>-</u>
Total expenditures of federal and state awards		\$ <u>20,118,576</u>	\$ <u>175,070</u>

The accompanying notes are an integral
part of this schedule.

Action Pathways, Inc.
Notes to Schedule of Expenditures of Federal Awards
for the year ended December 31, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of Action Pathways, Inc. under programs of the federal government for the year ended December 31, 2022. 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 Action Pathways, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Action Pathways, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified-cash basis of accounting. The modified-cash basis used by management differs in many respects from accounting principles generally accepted in the United States of America as detailed below:

- (a) the acquisition of property and equipment is shown as an expense, which means that depreciation expense is never shown as such, nor is there ever a gain or loss to recognize on the disposal of property and equipment during its estimated useful life.
- (b) this schedule does not recognize prepaid expenses; rather, payments made in advance are shown as expenses of the reporting period.
- (c) no accrual has been made for unpaid vacation time even though such time has vested; instead, the expense is recognized in the period the vacation time is actually used.

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. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

Action Pathways, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. NON-FINANCIAL CONTRIBUTIONS

Non-financial contributions, program income, and other local expenditures, includes non-financial contributions of \$175,070.

5. FOOD COMMODITIES

Nonmonetary assistance is reported in this Schedule at the fair market value of commodities received. At December 31, 2022, Action Pathways, Inc. had food commodities totaling \$294,902 in inventory.

6. SUBRECIPIENTS

Action Pathways, Inc. has not contracted or made awards to any subrecipients.