Action Pathways, Inc.

Report on Audit of Financial Statements

for the year ended December 31, 2023

MPCompany LLP

Certified Public Accountants

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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, 2023, 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, 2023, 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.

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.

Restatement

As discussed in Note 12 to the financial statements, the beginning net assets without donor restriction have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

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 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 accompanying 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 March 27, 2025 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.

March 27, 2025

Action Pathways, Inc.
Statement of Financial Position
December 31, 2023

Assets		
Current assets:		
Cash and cash equivalents	$	8,005,169
Investments		1,040,367
Accounts receivable		1,031,683
Grants receivable		6,362,213
Inventories		303,123
Prepaid expenses		69,605
Total current assets		16,812,160
Property and equipment, net		10,529,331
Financing right-of-use assets, net		136,278
Operating right-of-use assets, net		3,299
Security deposits		3,157
Total assets	$	27,484,225
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	$	194,614
Financing lease liabilities		4,558
Operating lease liabilities		2,606
Accounts payable		989,362
Accrued salaries		155,778
Accrued vacation		210,432
Grant refunds payable		147,238
Deferred revenue		1,042,550
Total current liabilities		2,747,138
Noncurrent portion of long-term debt		1,608,041
Noncurrent financing lease liabilities		9,026
Noncurrent operating lease liabilities		563
Total liabilities		4,364,768
Net assets:		
Without donor restrictions		19,395,994
With donor restrictions		3,723,463
Total net assets		23,119,457
	$	27,484,225

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

Action Pathways, Inc.
Statement of Activities
for the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions	$ 588,414	$ -	$ 588,414
Federal financial assistance	14,966,024	1,333,209	16,299,233
State financial assistance	526,043	2,000,000	2,526,043
Local grants	45,616	-	45,616
Other grants	997,936	500,000	1,497,936
Contribution of nonfinancial assets	209,010	-	209,010
Program fees	74,484	-	74,484
Contract services	616,329	-	616,329
Rent	107,714	-	107,714
Investment return, net	155,672	-	155,672
Total	18,287,242	3,833,209	22,120,451
Net assets released from restrictions:			
Early Childhood Development	1,091	(1,091)	-
Community Services	1,224,274	(1,224,274)	-
Low Income Housing	32,882	(32,882)	-
Total net assets released	1,258,247	(1,258,247)	-
Total public support and revenues	19,545,489	2,574,962	22,120,451
Expenses and Losses:			
Programs:			
Early Childhood Development	8,339,899	-	8,339,899
Community Services	8,689,253	-	8,689,253
Low Income Housing	3,021,252	-	3,021,252
Total programs	20,050,404	-	20,050,404
Management and general	177,577	-	177,577
Total expenses	20,227,981	-	20,227,981
Loss on disposal of assets	164,899	-	164,899
Total expenses and losses	20,392,880	-	20,392,880
Changes in net assets	(847,391)	2,574,962	1,727,571
Net assets at beginning of year (restated, Note 12)	20,243,385	1,148,501	21,391,886
Net assets at end of year	$ 19,395,994	$ 3,723,463	$ 23,119,457

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

Action Pathways, Inc.
Statement of Functional Expenses
for the year ended December 31, 2023

	Programs					
	Early Childhood Development	Community Services	Low Income Housing	Total Programs	Management and General	Total
Salaries and wages	$ 2,994,440	$ 1,032,434	$ 474,021	$ 4,500,895	$ 834,433	$ 5,335,328
Employee taxes and benefits	909,540	282,305	119,135	1,310,980	195,035	1,506,015
Travel	5,695	18,724	22,178	46,597	5,707	52,304
Property and equipment	83,987	102,760	2,567	189,314	1,379	190,693
Mortgage payments	19,823	9,219	-	29,042	44,840	73,882
Supplies	398,808	191,904	43,082	633,794	101,329	735,123
Contractual	1,108,898	619,758	799,697	2,528,353	200,088	2,728,441
Communications	188,640	310,727	23,760	523,127	34,880	558,007
Leases	60,665	55,563	3,162	119,390	5,766	125,156
Rentals	18,926	54,834	631	74,391	6,562	80,953
Insurance	133,257	81,460	28,146	242,863	27,849	270,712
Repairs and maintenance	214,197	163,889	86,122	464,208	66,134	530,342
Client assistance	-	359,154	1,140,020	1,499,174	-	1,499,174
Food distributions	255,182	4,440,996	-	4,696,178	-	4,696,178
Other	243,898	340,344	103,541	687,783	129,644	817,427
Depreciation	327,169	287,646	62,795	677,610	141,626	819,236
Contributed facilities	209,010	-	-	209,010	-	209,010
Indirect	1,167,764	337,536	112,395	1,617,695	(1,617,695)	-
Total	$ 8,339,899	$ 8,689,253	$ 3,021,252	$ 20,050,404	$ 177,577	$ 20,227,981

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

Action Pathways, Inc.
Statement of Cash Flows
for the year ended December 31, 2023

Cash flows from operating activities:		
Changes in net assets	$	1,727,571
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation		819,236
Amortization of right-of-use asset		44,980
Loss on disposal of assets		164,899
Realized and unrealized gains (losses) on investments		(148,172)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		2,860,170
Grants receivable		(4,177,773)
Inventories		1,117,747
Prepaid expenses		7,360
Security deposits		4,550
Increase (decrease) in liabilities:		
Accounts payable		75,087
Accrued salaries		(19,148)
Accrued vacation		9,764
Grant refund payable		(170,311)
Deferred revenue		796,951
Operating lease liabilities		(7,279)
Net cash provided by operating activities		3,105,632
Cash flows from investing activities:		
Capital expenditures for property and equipment		(571,593)
Proceeds from sales of investments		1,109,088
Purchase of investments		(1,102,316)
Net cash used in investing activities		(564,821)
Cash flows from financing activities:		
Principal payments of financing lease liabilities		(3,873)
Principal payments of long-term debt		(186,331)
Net cash used in financing activities		(190,204)
Net increase in cash and cash equivalents		2,350,607
Cash, beginning of year		5,654,562
Cash, end of year	$	8,005,169

Continued

Action Pathways, Inc.
Statement of Cash Flows (Continued)
for the year ended December 31, 2023

Supplemental disclosure of cash flows information:		
Cash paid during the year for interest	$	55,928
Capital expenditures included in accounts payable	$	271,516

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

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.
- *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.
- *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial statements are presented in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 *Financial Statements for Not-for-Profit Organizations*. This statement requires that net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as with and without donor restrictions.

Net Assets

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, 2023, the Organization does not believe any account or grant receivables are uncollectible and no allowance is deemed necessary.

Inventories

Inventories consist primarily of food and food supplies of the Food Bank Program and are valued at cost determined by the first-in-first-out method. The Organization also maintains an inventory of donated items for The Emergency Food Assistance Program (TEFAP) and Supplemental Nutrition Assistance Program (SNAP). These are pass-through items which are not reflected in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 federal and state agencies. Grants, which are classified as non-exchange transactions, 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 received, 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.

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, 2023, the Organization’s cash balances exceeded the federally insured limit by a total of $7,325,077.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk (Continued)

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 member 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, 2023, the Second Harvest Food Bank of Southeast North Carolina received approximately 19,193,010 pounds of donated food and distributed approximately 18,691,609 pounds of donated food to member agencies. The donated food was valued at $1.97 per pound and, therefore, amounts to $37,810,229 received and $36,822,429 distributed during the year. Of the $36,822,429 distributed, $7,224,448 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, 2023.

Second Harvest Food Bank of Southeast North Carolina benefited from approximately 5,942 hours of volunteer labor in association with the local County Workers Project for the year ended December 31, 2023. Donated services not meeting the provisions of U.S. GAAP (those not requiring specific expertise), valued at $117,910 for the year ended December 31, 2023 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, 2023 was $121,343.

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 2023, as determined by the Organization, is 27%.

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, 2023 was approximately $51,546.

Leases

The Association has entered into a variety of operating and financing leases for office space, equipment, and vehicles. The obligations associated with these leases have been recognized as liabilities in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate for the Organization's leases.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2023.

Recently Adopted Accounting Standards

In June 2016, the FASB issued guidance (FASB ASC 326), *Financial Instruments – Credit Losses*, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model.

Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and/or enhanced disclosures only.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2023, 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	$ 8,005,169
Investments	1,040,367
Accounts receivable	1,031,683
Grants receivable	6,362,213
	16,439,432
Less donor restrictions	(3,723,463)
Financial assets available to meet general expenditures within one year	$ 12,715,969

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.

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, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 24,079	$ -	$ 24,079
Mutual funds*				1,016,288
				$ 1,040,367

*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, 2023:

By asset type:	Beginning	Increases	Decreases	Ending
Land	$ 509,732	$ 89,973	$ -	$ 599,705
Vehicles	3,470,193	-	1,426,822	2,043,371
Equipment, furniture, and fixtures	2,775,691	381,203	12,892	3,144,002
Buildings and improvements	10,734,318	371,933	23,581	11,082,670
	17,489,934	843,109	1,463,295	16,869,748
Less accumulated depreciation	(6,819,577)	$ (819,236)	$ 1,298,396	(6,340,417)
Net property and equipment	$ 10,670,357			$ 10,529,331

5. PROPERTY AND EQUIPMENT (Continued)

By function:	Beginning	Increases	Decreases	Ending
CCCS	$ 34,405	$ -	$ -	$ 34,405
Head Start	5,395,040	278,652	823,359	4,850,333
State Child Development Programs	2,838,686	89,973	622,093	2,306,566
USDA	12,166	-	-	12,166
CSBG	488,389	114,064	11,307	591,146
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	235,483	4,995	5,097	235,381
Ways and Means	20,500	-	-	20,500
Second Harvest Food Bank	3,168,357	355,425	1,439	3,522,343
Second Harvest Food Bank ARPA	71,075	-	-	71,075
Weatherization ARPA	141,324	-	-	141,324
Corporate	4,345,270	-	-	4,345,270
	17,489,934	843,109	1,463,295	16,869,748
Less accumulated depreciation	(6,819,577)	$ (819,236)	$ 1,298,396	(6,340,417)
Net property and equipment	$ 10,670,357			$ 10,529,331

6. LONG-TERM DEBT

Long-term debt at December 31, 2023 consisted of the following:

Note payable in monthly installments of $8,837, including interest at 2.85% with a balloon payment due at note matury on June 5, 2032; secured by real property at 4525 Campground Church Road, Fayetteville, NC	$1,517,926
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	111,212
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	173,517
	1,802,655
Less current portion	(194,614)
	$ 1,608,041

6. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

Years Ending December 31,	Campground Church Road	Southern Avenue	Food Distribution Center	Total
2024	$ 62,973	$ 76,529	$ 55,112	$ 194,614
2025	64,818	34,683	58,450	157,951
2026	66,718	-	59,955	126,673
2027	68,673	-	-	68,673
2028	70,666	-	-	70,666
Thereafter	1,184,078	-	-	1,184,078
	$ 1,517,926	$ 111,212	$ 173,517	$ 1,802,655

7. LEASES AND LEASE LIABILITIES

The Organization is committed under several noncancelable operating and financing 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, 2023 was $125,156.

The Organization follows 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 leases. The asset and liability are amortized over the life of the leases. The 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, 2023 are $44,980 and $7,279, 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, 2023 are as follows:

Years Ending December 31,	Operating	Financing	Total
2024	$ 2,606	$ 4,558	$ 7,164
2025	650	4,558	5,208
2026	-	3,858	3,858
2027	-	1,680	1,680
Undiscounted lease liability	3,256	14,654	17,910
Less present value discount	(87)	(1,070)	(1,157)
Net lease liability	3,169	13,584	16,753
Less current maturities	(2,606)	(4,558)	(7,164)
	$ 563	$ 9,026	$ 9,589

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 are available for the following purposes:

Early Childhood Development programs	$ 8,801
Community Services programs	3,714,662
	$ 3,723,463

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 $209,010 for the year ended December 31, 2023 are comprised of donated use of facilities.

10. CONTINGENCIES

The Organization receives funds from several federal and state grants, which are approximately 85% of total revenues. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Management believes any required refunds beyond what is already reserved will be immaterial. A provision of $147,238 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 qualified 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. All Employee Retention credit receivables were collected in the year ended December 31, 2023.

12. RESTATEMENT

The net assets with donor restrictions at December 31, 2022, as reported on the statement of activities, have been restated to correct an understatement of previously reported inventories and net assets without donor restrictions in the amount of $1,413,175.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 27, 2025, the date on which the financial statements were available to be issued.

In 2025, the Organization was placed on the Suspension of Funding List (SOFL) with the North Carolina Department of Health and Human Services while awaiting the submission of the Organization's 2023 audited financial statements. The Organization is expected to be promptly removed from the SOFL once the report has been submitted.

SUPPLEMENTARY INFORMATION

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
All Programs
December 31, 2023

	Programs			Supporting Services			
Assets	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	Total
Current assets:							
Cash and cash equivalents	$ 384,733	$ 4,606,837	$ 146,174	$ 4,997,198	$ -	$ (2,129,773)	$ 8,005,169
Investments	-	-	-	1,040,367	-	-	1,040,367
Accounts receivable	72,030	1,950	138,239	863,669	-	-	1,075,888
Grants receivable	2,601,925	3,511,038	249,250	-	-	-	6,362,213
Inventories	7,695	295,428	-	-	-	-	303,123
Prepaid expenses	53,342	2,283	2,622	11,358	-	-	69,605
Property and equipment, net	-	-	-	-	10,529,331	-	10,529,331
Right-of-use assets	-	-	-	-	139,577	-	139,577
Security deposits	2,000	1,100	-	57	-	-	3,157
Due from other funds	9,658	47,855	41,453	108,759	-	(207,725)	-
Total Assets	$ 3,131,383	$ 8,466,491	$ 577,738	$ 7,021,408	$ 10,668,908	$ (2,337,498)	$ 27,528,430
Liabilities and Net Assets							
Current liabilities:							
Temporary bank overdraft payable	$ 1,740,661	$ 1,041	$ 149,588	$ 238,483	$ -	$ (2,129,773)	$ -
Current portion of long-term debt	-	-	-	-	194,614	-	194,614
Lease liabilities	-	-	-	-	7,164	-	7,164
Accounts payable	750,943	202,895	9,201	26,323	-	-	989,362
Accrued salaries	83,633	32,406	11,772	27,967	-	-	155,778
Accrued vacation	82,438	41,684	24,131	62,179	-	-	210,432
Grant refunds payable	10,366	101,553	35,319	-	-	-	147,238
Deferred revenue	-	895,704	191,051	-	-	-	1,086,755
Noncurrent portion of logn-term debt	-	-	-	-	1,608,041	-	1,608,041
Lease liabilities	-	-	-	-	9,589	-	9,589
Due to other funds	39,696	92,361	69,700	5,968	-	(207,725)	-
Total Liabilities	2,707,737	1,367,644	490,762	360,920	1,819,408	(2,337,498)	4,408,973
Net assets:							
Without donor restrictions	414,845	3,384,185	86,976	6,660,488	8,849,500	-	19,395,994
With donor restrictions	8,801	3,714,662	-	-	-	-	3,723,463
Total net assets	423,646	7,098,847	86,976	6,660,488	8,849,500	-	23,119,457
	$ 3,131,383	$ 8,466,491	$ 577,738	$ 7,021,408	$ 10,668,908	$ (2,337,498)	$ 27,528,430

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
All Programs
for the year ended December 31, 2023

	Programs			Supporting Services			
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	Total
Public Support and Revenues:							
Contributions	$ -	$ 588,414	$ -	$ -	$ -	$ -	$ 588,414
Federal financial assistance	8,035,744	5,768,048	2,495,441	-	-	-	16,299,233
State financial assistance	-	2,526,043	-	-	-	-	2,526,043
Local grants	-	45,616	-	-	-	-	45,616
Other grants	-	1,497,936	-	-	-	-	1,497,936
Contribution of nonfinancial assets	209,010	-	-	-	-	-	209,010
Program fees	-	26,209	-	-	-	-	26,209
Contract services	363,309	-	253,020	-	-	-	616,329
Rent	-	4,800	102,914	-	-	-	107,714
Indirect	-	-	-	1,617,695	-	(1,617,695)	-
Investment return, net	-	-	-	155,672	-	-	155,672
Other	2,088	36,867	9,320	-	1,029,440	(1,029,440)	48,275
Total public support and revenues	8,610,151	10,493,933	2,860,695	1,773,367	1,029,440	(2,647,135)	22,120,451
Expenses and Losses:							
Salaries and wages	2,994,440	1,032,434	474,021	834,433	-	-	5,335,328
Employee taxes and benefits	909,540	282,305	119,135	195,035	-	-	1,506,015
Travel	5,695	18,724	22,178	5,707	-	-	52,304
Property and equipment	362,639	266,324	7,562	1,379	-	-	637,904
Mortgage payments	87,074	67,099	-	106,040	-	-	260,213
Supplies	398,808	281,004	43,082	101,329	-	-	824,223
Contractual	1,108,898	619,758	799,697	200,088	-	-	2,728,441
Communications	188,640	310,727	23,760	34,880	-	-	558,007
Leases	60,665	21,864	3,162	5,766	-	-	91,457
Rentals	18,926	54,834	631	6,562	-	-	80,953
Insurance	133,257	81,460	28,146	27,849	-	-	270,712
Repairs and maintenance	214,197	380,714	86,122	66,134	-	-	747,167
Client assistance	-	359,154	1,140,020	-	-	-	1,499,174
Food purchases	255,182	3,323,249	-	-	-	-	3,578,431
Other	333,870	340,344	103,541	129,644	-	-	907,399

Continued

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP (Continued)
All Programs
for the year ended December 31, 2023

	Programs			Supporting Services			
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	Total
Expenses and losses (continued):							
Depreciation	39,696	44,506	6,014	-	729,020	(729,020)	90,216
Local match	209,010	-	-	-	-	-	209,010
Indirect	1,167,764	337,536	112,395	-	-	(1,617,695)	-
Loss on disposal of assets	-	-	-	-	164,899	(164,899)	-
Total expenses and losses	8,488,301	7,822,036	2,969,466	1,714,846	893,919	(2,511,614)	19,376,954
Changes in net assets before adjustments to convert expenses to GAAP	121,850	2,671,897	(108,771)	58,521	135,521	(135,521)	2,743,497
Adjustment to Convert Expenses to GAAP							
Property and equipment purchases	(368,624)	(469,490)	(4,995)	-	-	-	(843,109)
Lease amortization	-	33,700	-	-	-	-	33,700
Mortgage principal payments	(67,251)	(57,880)	-	(61,200)	-	-	(186,331)
Change in inventory	-	1,117,747	-	-	-	-	1,117,747
Depreciation expense	287,473	243,140	56,781	141,626	-	-	729,020
Total adjustment to expenses	(148,402)	867,217	51,786	80,426	-	-	851,027
Total expenses after adjustments	8,339,899	8,689,253	3,021,252	1,795,272	893,919	(2,511,614)	20,227,981
Loss on disposal of assets	-	-	-	-	164,899	-	164,899
Total expenses and losses	8,339,899	8,689,253	3,021,252	1,795,272	1,058,818	(2,511,614)	20,392,880
Changes in net assets after adjustments to convert to GAAP	$ 270,252	$ 1,804,680	$ (160,557)	$ (21,905)	$ (29,378)	$ (135,521)	$ 1,727,571

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
All Programs
for the year ended December 31, 2023

	Programs			Supporting Services			
	Early Childhood Development	Community Services	Low Income Housing	Management and General	Property and Equipment	Eliminations	Total
Cash flows from operating activities:							
Changes in net assets	$ 121,850	$ 2,671,897	$ (108,771)	$ 58,521	$ 135,521	$ (135,521)	$ 2,743,497
Adjustments to reconcile changes in net assets to net cash flows from operating activities							
Loss (gain) on disposal of assets	-	-	-	-	164,899	(164,899)	-
Realized and unrealized loss on investments	-	-	-	(148,172)	-	-	(148,172)
Changes in assets and liabilities:							
(Increase) decrease in assets:							
Accounts receivable	(37,830)	125,616	(85,424)	2,857,808	-	-	2,860,170
Grants receivable	(1,624,863)	(2,421,273)	(131,637)	-	-	-	(4,177,773)
Inventories	-	-	-	-	-	-	-
Prepaid expenses	(5,237)	12,691	3,101	(3,195)	-	-	7,360
Security deposits	-	3,712	838	-	-	-	4,550
Due from other funds	-	(8,885)	(41,435)	(89,189)	-	-	(139,509)
Increase (decrease) in liabilities:							
Temporary bank overdraft payable	1,159,923	(952,316)	143,654	87,750	-	(439,011)	-
Accounts payable	637,393	(280,873)	(15,360)	5,571	-	-	346,731
Accrued salaries	(17,232)	(46)	(2,806)	936	-	-	(19,148)
Accrued vacation	10,575	10,470	2,253	(13,534)	-	-	9,764
Grant refund payable	(170,311)	-	-	-	-	-	(170,311)
Deferred revenue	-	605,900	191,051	-	-	-	796,951
Due to other funds	39,696	53,391	40,472	5,950	-	-	139,509
Net cash provided by operating activities	113,964	(179,716)	(4,064)	2,762,446	300,420	(739,431)	2,253,619
Cash flows from investing activities:							
Transfers	-	-	-		-	-	-
Proceeds from sales of investments	-	-	-	1,109,088	-	-	1,109,088
Purchase of investments	-	-	-	(1,102,316)	-	-	(1,102,316)
Proceeds from involuntary conversion	-	-	-	-	-	-	-
Net cash provided by operating activities	-	-	-	6,772	-	-	6,772
Net change in cash before adjustments to GAAP	113,964	(179,716)	(4,064)	2,769,218	300,420	(739,431)	2,260,391
Adjustment to Convert Expenses to GAAP							
Property and equipment purchases	-	-	-	-	(843,109)	843,109	-
Right-of-use asset acquisition	-	-	-	-	-	-	-
Mortgage principal payments	-	-	-	-	(186,331)	186,331	-
Depreciation expense	-	-	-	90,216	729,020	(729,020)	90,216
Total adjustments	-	-	-	90,216	(300,420)	300,420	90,216
Net change in cash	113,964	(179,716)	(4,064)	2,859,434	-	(439,011)	2,350,607
Cash, beginning of year	270,769	4,786,553	150,238	2,137,764	-	(1,690,762)	5,654,562
Cash, end of year	$ 384,733	$ 4,606,837	$ 146,174	$ 4,997,198	$ -	$ (2,129,773)	$ 8,005,169

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Early Childhood Development Programs
December 31, 2023

Assets	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Current assets:					
Cash and cash equivalents	$ -	$ -	$ -	$ 384,733	$ 384,733
Investments	-	-	-	-	-
Accounts receivable	-	-	-	72,030	72,030
Grants receivable	2,256,902	328,346	16,677	-	2,601,925
Inventories	-	-	7,695	-	7,695
Prepaid expenses	48,220	316	113	4,693	53,342
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	$ 2,309,409	$ 328,662	$ 24,485	$ 468,827	$ 3,131,383
Liabilities and Net Assets					
Current liabilities:					
Temporary bank overdraft payable	$ 1,463,863	$ 263,661	$ 13,137	$ -	$ 1,740,661
Current portion of long-term debt	-	-	-	-	-
Accounts payable	689,079	53,329	901	7,634	750,943
Accrued salaries	75,562	6,124	666	1,281	83,633
Accrued vacation	79,975	1,483	980	-	82,438
Grant refunds payable	-	-	-	10,366	10,366
Deferred revenue	-	-	-	-	-
Noncurrent portion of logn-term debt	-	-	-	-	-
Lease liabilities	-	-	-	-	-
Due to other funds	22,855	4,812	-	12,029	39,696
Total Liabilities	2,331,334	329,409	15,684	31,310	2,707,737
Net assets:					
Without donor restrictions	(21,925)	(747)	-	437,517	414,845
With donor restrictions	-	-	8,801	-	8,801
Total net assets	(21,925)	(747)	8,801	437,517	423,646
	$ 2,309,409	$ 328,662	$ 24,485	$ 468,827	$ 3,131,383

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Early Childhood Development Programs
for the year ended December 31, 2023

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Public Support and Revenues:					
Contributions	$ -	$ -	$ -	$ -	$ -
Federal financial assistance	6,759,328	1,013,318	263,098	-	8,035,744
State financial assistance	-	-	-	-	-
Local grants	-	-	-	-	-
Other grants	-	-	-	-	-
Contribution of nonfinancial assets	-	-	-	-	-
Program fees	-	-	-	-	-
Contract services	-	-	-	363,309	363,309
Rent	-	-	-	-	-
Indirect	-	-	-	-	-
Investment return, net	-	-	-	-	-
Local match	209,010	-	-	-	209,010
Other	-	-	-	2,088	2,088
Total public support and revenues	6,968,338	1,013,318	263,098	365,397	8,610,151
Expenses and Losses:					
Salaries and wages	2,723,174	231,232	16,893	23,141	2,994,440
Employee taxes and benefits	834,106	58,294	5,819	11,321	909,540
Travel	5,409	286	-	-	5,695
Property and equipment	362,639	-	-	-	362,639
Mortgage payments	87,074	-	-	-	87,074
Supplies	376,554	2,213	12,590	7,451	398,808
Contractual	472,721	615,638	1,864	18,675	1,108,898
Communications	180,269	3,358	-	5,013	188,640
Leases	59,736	513	-	416	60,665
Rentals	17,386	813	-	727	18,926
Insurance	117,348	3,228	623	12,058	133,257
Repairs and maintenance	209,497	4,684	-	16	214,197
Client assistance	-	-	-	-	-
Food purchases	34,785	-	220,397	-	255,182
Other	285,322	6,090	484	41,974	333,870
Depreciation	22,855	4,812	-	12,029	39,696
Local match	209,010	-	-	-	209,010
Indirect	993,469	80,915	3,608	89,772	1,167,764
Loss (gain) on disposal of assets	-	-	-	-	-
Total expenses and losses	6,991,354	1,012,076	262,278	222,593	8,488,301
Changes in net assets before adjustments to convert expenses to GAAP	$ (23,016)	$ 1,242	$ 820	$ 142,804	$ 121,850

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Early Childhood Development Programs
for the year ended December 31, 2023

	Head Start Program	Early Head Start Partnership Program	Child Nutrition Program	State Child Development Program	Total
Cash flows from operating activities:					
Changes in net assets	$ (23,016)	$ 1,242	$ 820	$ 142,804	$ 121,850
Adjustments to reconcile changes in net assets to net cash flows from operating activities					
Realized and unrealized gains on investments	-	-	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	-	-	-	(37,830)	(37,830)
Grants receivable	(1,758,220)	83,653	49,704	-	(1,624,863)
Inventories	-	-	-	-	-
Prepaid expenses	(7,009)	1,580	626	(434)	(5,237)
Due from other funds	-	-	-	-	-
Increase (decrease) in liabilities:					
Temporary bank overdraft payable	1,285,165	(76,457)	(48,785)	-	1,159,923
Accounts payable	644,930	(2,916)	(1,391)	(3,230)	637,393
Accrued salaries	(10,778)	(7,127)	(199)	872	(17,232)
Accrued vacation	16,151	(4,794)	(782)	-	10,575
Grant refund payable	(170,311)	-	-	-	(170,311)
Deferred revenue	-	-	-	-	-
Due to other funds	22,855	4,812	-	12,029	39,696
Net cash provided by operating activities	(233)	(7)	(7)	114,211	113,964
Net change in cash	(233)	(7)	(7)	114,211	113,964
Cash, beginning of year	233	7	7	270,522	270,769
Cash, end of year	$ -	$ -	$ -	$ 384,733	$ 384,733

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Community Service Programs
December 31, 2023

Assets	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	$ 196,537	$ 15,200	$ 86	$ 81,769	$ 3,894,748	$ 186,921	$ -	$ 231,576	$ 4,606,837
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	1,950	1,950
Grants receivable	66,225	-	-	-	3,444,813	-	-	-	3,511,038
Inventories	-	-	-	-	295,428	-	-	-	295,428
Prepaid expenses	1,105	-	-	-	1,178	-	-	-	2,283
Property and equipment, net	-	-	-	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-	-	-	-
Security deposits	1,100	-	-	-	-	-	-	-	1,100
Due from other funds	47,855	-	-	-	-	-	-	-	47,855
Total Assets	$ 312,822	$ 15,200	$ 86	$ 81,769	$ 7,636,167	$ 186,921	$ -	$ 233,526	$ 8,466,491
Liabilities and Net Assets									
Current liabilities:									
Temporary bank overdraft payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,041	$ -	$ 1,041
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Accounts payable	36,507	-	86	-	156,983	9,319	-	-	202,895
Accrued salaries	9,050	-	-	-	18,011	5,345	-	-	32,406
Accrued vacation	6,612	-	-	-	35,072	-	-	-	41,684
Grant refunds payable	83,587	9,200	-	-	8,766	-	-	-	101,553
Deferred revenue	260,982	-	-	68,161	399,745	166,816	-	-	895,704
Noncurrent portion of logn-term debt	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
Due to other funds	14,899	-	-	-	77,462	-	-	-	92,361
Total Liabilities	411,637	9,200	86	68,161	696,039	181,480	1,041	-	1,367,644
Net assets:									
Without donor restrictions	(98,815)	-	-	13,608	3,236,907	-	(1,041)	233,526	3,384,185
With donor restrictions	-	6,000	-	-	3,703,221	5,441	-	-	3,714,662
Total net assets	(98,815)	6,000	-	13,608	6,940,128	5,441	(1,041)	233,526	7,098,847
	$ 312,822	$ 15,200	$ 86	$ 81,769	$ 7,636,167	$ 186,921	$ -	$ 233,526	$ 8,466,491

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Community Service Programs
for the year ended December 31, 2023

	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	$ -	$ -	$ -	$ 702	$ 587,712	$ -	$ -	$ -	$ 588,414
Federal financial assistance	1,026,039	-	-	26,040	1,944,622	2,771,347	-	-	5,768,048
State financial assistance	-	-	-	-	2,526,043	-	-	-	2,526,043
Local grants	-	-	-	-	45,616	-	-	-	45,616
Other grants	-	-	-	-	1,497,936	-	-	-	1,497,936
Contribution of nonfinancial assets	-	-	-	-	-	-	-	-	-
Program fees	-	-	-	-	26,209	-	-	-	26,209
Contract services	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	4,800	-	-	-	4,800
Indirect	-	-	-	-	-	-	-	-	-
Investment return, net	-	-	-	-	-	-	-	-	-
Local match	-	-	-	-	-	-	-	-	-
Other grants	-	-	-	36,867	-	-	-	-	36,867
Total public support and revenues	1,026,039	-	-	63,609	6,632,938	2,771,347	-	-	10,493,933
Expenses and Losses:									
Salaries and wages	306,411	-	-	17,654	432,587	275,782	-	-	1,032,434
Employee taxes and benefits	93,894	-	-	1,572	118,437	68,402	-	-	282,305
Travel	8,879	-	-	-	9,845	-	-	-	18,724
Property and equipment	136,921	-	-	-	129,403	-	-	-	266,324
Mortgage payments	-	-	-	-	67,099	-	-	-	67,099
Supplies	19,777	-	-	-	231,140	30,087	-	-	281,004
Contractual	19,230	-	-	24,504	293,539	282,485	-	-	619,758
Communications	9,215	-	-	-	271,307	30,205	-	-	310,727
Leases	505	-	-	-	21,359	-	-	-	21,864
Rentals	700	-	-	-	17,230	36,904	-	-	54,834
Insurance	8,249	-	-	-	73,211	-	-	-	81,460
Repairs and maintenance	13,374	-	-	-	123,996	243,344	-	-	380,714
Client assistance	359,154	-	-	-	-	-	-	-	359,154
Food purchases	-	-	-	-	1,672,684	1,650,565	-	-	3,323,249
Other	58,110	-	-	14,843	206,712	60,679	-	-	340,344
Depreciation	6,014	-	-	-	38,492	-	-	-	44,506
Local match	-	-	-	-	-	-	-	-	-
Indirect	85,654	-	-	5,036	159,393	87,453	-	-	337,536
Total expenses and losses	1,126,087	-	-	63,609	3,866,434	2,765,906	-	-	7,822,036
Changes in net assets before adjustments to convert expenses to GAAP	$ (100,048)	$ -	$ -	$ -	$ 2,766,504	$ 5,441	$ -	$ -	$ 2,671,897

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Community Service Programs
for the year ended December 31, 2023

	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	$ (100,048)	$ -	$ -	$ -	$ 2,766,504	$ 5,441	$ -	$ -	$ 2,671,897
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	-	-	-	-	125,616	-	-	-	125,616
Grants receivable	(11,046)	-	-	-	(3,372,064)	961,837	-	-	(2,421,273)
Inventories	-	-	-	-	-	-	-	-	-
Prepaid expenses	317	-	-	-	12,374	-	-	-	12,691
Security deposits	3,712	-	-	-	-	-	-	-	3,712
Due from other funds	(8,885)	-	-	-	-	-	-	-	(8,885)
Increase (decrease) in liabilities:									
Temporary bank overdraft payable	-	-	(240)	-	-	(952,076)	-	-	(952,316)
Accounts payable	28,973	-	-	(236)	(318,736)	9,126	-	-	(280,873)
Accrued salaries	(2,205)	-	-	-	6,382	(4,223)	-	-	(46)
Accrued vacation	2,090	-	-	-	8,380	-	-	-	10,470
Grant refund payable	-	-	-	-	-	-	-	-	-
Deferred revenue	260,982	-	-	44,859	133,243	166,816	-	-	605,900
Due to other funds	14,899	-	-	-	38,492	-	-	-	53,391
Net cash provided by operating activities	188,789	-	(240)	44,623	(599,809)	186,921	-	-	(179,716)
Net change in cash	188,789	-	(240)	44,623	(599,809)	186,921	-	-	(179,716)
Cash, beginning of year	7,748	15,200	326	37,146	4,494,557	-	-	231,576	4,786,553
Cash, end of year	$ 196,537	$ 15,200	$ 86	$ 81,769	$ 3,894,748	$ 186,921	$ -	$ 231,576	$ 4,606,837

Action Pathways, Inc.
Combining Statement of Financial Position - Non-GAAP
Low Income Housing Programs
December 31, 2023

Assets	Weatherization Program	Weatherization CARES	Duke Energy Helping Home Fund	BlueCross BlueShield Health Home Initiative	Affordable Housing	Total
Current assets:						
Cash and cash equivalents	$ -	$ 3,059	$ -	$ -	$ 143,115	$ 146,174
Investments	-	-	-	-	-	-
Accounts receivable	-	-	136,068	-	2,171	138,239
Grants receivable	249,250	-	-	-	-	249,250
Inventories	-	-	-	-	-	-
Prepaid expenses	2,622	-	-	-	-	2,622
Property and equipment, net	-	-	-	-	-	-
Right-of-use assets	-	-	-	-	-	-
Security deposits	-	-	-	-	-	-
Due from other funds	41,435	-	-	-	18	41,453
Total Assets	$ 293,307	$ 3,059	$ 136,068	$ -	$ 145,304	$ 577,738
Liabilities and Net Assets						
Current liabilities:						
Temporary bank overdraft payable	$ 67,152	$ -	$ 78,580	$ 3,856	$ -	$ 149,588
Current portion of long-term debt	-	-	-	-	-	-
Accounts payable	8,939	-	202	-	60	9,201
Accrued salaries	13,761	-	(1,989)	-	-	11,772
Accrued vacation	24,131	-	-	-	-	24,131
Grant refunds payable	32,260	3,059	-	-	-	35,319
Deferred revenue	191,051	-	-	-	-	191,051
Noncurrent portion of logn-term debt	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Due to other funds	47,449	-	-	-	22,251	69,700
Total Liabilities	384,743	3,059	76,793	3,856	22,311	490,762
Net assets:						
Without donor restrictions	(91,436)	-	59,275	(3,856)	122,993	86,976
With donor restrictions	-	-	-	-	-	-
Total net assets	(91,436)	-	59,275	(3,856)	122,993	86,976
	$ 293,307	$ 3,059	$ 136,068	$ -	$ 145,304	$ 577,738

Action Pathways, Inc.
Combining Statement of Revenues and Expenses - Non-GAAP
Low Income Housing Programs
for the year ended December 31, 2023

	Weatherization Program	Weatherization CARES	Duke Energy Helping Home Fund	BlueCross BlueShield Health Home Initiative	Affordable Housing	Total
Public Support and Revenues:						
Contributions	$ -	$ -	$ -	$ -	$ -	$ -
Federal financial assistance	2,495,441	-	-	-	-	2,495,441
State financial assistance	-	-	-	-	-	-
Local grants	-	-	-	-	-	-
Other grants	-	-	-	-	-	-
Contribution of nonfinancial assets	-	-	-	-	-	-
Program fees	-	-	-	-	-	-
Contract services	-	-	236,829	16,191	-	253,020
Rent	-	-	-	-	102,914	102,914
Indirect	-	-	-	-	-	-
Investment return, net	-	-	-	-	-	-
Local match	-	-	-	-	-	-
Other	-	-	7,156	1,133	1,031	9,320
Total public support and revenues	2,495,441	-	243,985	17,324	103,945	2,860,695
Expenses and Losses:						
Salaries and wages	474,021	-	-	-	-	474,021
Employee taxes and benefits	119,135	-	-	-	-	119,135
Travel	22,178	-	-	-	-	22,178
Property and equipment	7,562	-	-	-	-	7,562
Mortgage payments	-	-	-	-	-	-
Supplies	43,062	-	20	-	-	43,082
Contractual	706,558	-	82,779	8,158	2,202	799,697
Communications	23,760	-	-	-	-	23,760
Leases	3,162	-	-	-	-	3,162
Rentals	631	-	-	-	-	631
Insurance	17,929	-	-	-	10,217	28,146
Repairs and maintenance	43,858	-	-	-	42,264	86,122
Client assistance	955,581	-	159,771	24,668	-	1,140,020
Food purchases	-	-	-	-	-	-
Other	83,913	-	1,415	437	17,776	103,541
Depreciation	6,014	-	-	-	-	6,014
Local match	-	-	-	-	-	-
Indirect	112,395	-	-	-	-	112,395
Total expenses and losses	2,619,759	-	243,985	33,263	72,459	2,969,466
Changes in net assets before adjustments to convert expenses to GAAP	$ (124,318)	$ -	$ -	$ (15,939)	$ 31,486	$ (108,771)

Action Pathways, Inc.
Combining Statement of Cash Flows - Non-GAAP
Low Income Housing Programs
for the year ended December 31, 2023

	Weatherization Program	Weatherization CARES	Duke Energy Helping Home Fund	BlueCross BlueShield Health Home Initiative	Affordable Housing	Total
Cash flows from operating activities:						
Changes in net assets	$ (124,318)	$ -	$ -	$ (15,939)	$ 31,486	$ (108,771)
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	-	-	(94,221)	-	8,797	(85,424)
Grants receivable	(131,637)	-	-	-	-	(131,637)
Inventories	-	-	-	-	-	-
Prepaid expenses	1,244	-	-	-	1,857	3,101
Security deposits	838	-	-	-	-	838
Due from other funds	(41,435)	-	-	-	-	(41,435)
Increase (decrease) in liabilities:						
Temporary bank overdraft payable	61,218	-	78,580	3,856	-	143,654
Accounts payable	(10,217)	-	(4,143)	(1,000)	-	(15,360)
Accrued salaries	(2,806)	-	-	-	-	(2,806)
Accrued vacation	2,253	-	-	-	-	2,253
Grant refund payable	-	-	-	-	-	-
Deferred revenue	191,051	-	-	-	-	191,051
Due to other funds	47,449	-	-	-	(6,977)	40,472
Net cash provided by operating activities	(6,360)	-	(19,784)	(13,083)	35,163	(4,064)
Net change in cash	(6,360)	-	(19,784)	(13,083)	35,163	(4,064)
Cash, beginning of year	6,360	3,059	19,784	13,083	107,952	150,238
Cash, end of year	$ -	$ 3,059	$ -	$ -	$ 143,115	$ 146,174

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
for the year ended December 31, 2023

Public Support and Revenues:		
Department of Health and Human Services - Head Start:		
Current Year - new obligations		
Full year-part day and special needs (G044122)	$	6,719,581
Training and technical assistance (G044120)		39,747
Early program (G044125)		1,011,765
Training and technical assistance (G044121)		1,553
Total Head Start funds		7,772,646
Other Revenues and Public Support:		
USDA reimbursement grants		263,098
Grantees non federal share - budget amount		209,010
Total other revenue and public support		472,108
Total revenue		8,244,754
Expenses:		
Head Start/Early Head Start - 04CH0002017 & Full year-part day (PG44122):		
Direct Costs:		
Salaries and wages		2,723,174
Fringe Benefits		834,106
Equipment		362,639
Expendable equipment and equipment rental		25,937
Supplies		376,554
Contractual and space costs		959,514
Other		467,204
Subtotal		5,749,128
Indirect costs		993,469
Total		6,742,597
Training and technical assistance (G044120):		
Direct Costs:		
Travel		39,747
Early Head Start Child Care Partnership (G044122) - 04HP000364:		
Direct costs:		
Salaries and wages		233,222
Fringe Benefits		58,294
Expendable equipment and equipment rental		2,318
Supplies		2,213
Contractual and space costs		621,401
Other		12,160
Subtotal		929,608
Indirect costs		80,915
Total		1,010,523

Continued

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
for the year ended December 31, 2023

Training and technical assistance (G044121):		
Direct Costs:		
Travel		1,553
Head Start Total		7,794,420
Other Expenses:		
USDA reimbursement funds		
Direct Costs:		
Salaries and wages		16,893
Fringe Benefits		5,819
Supplies		12,590
Contractual and space costs		1,864
Other		221,504
Subtotal		258,670
Indirect costs		3,608
USDA total		262,278
Public Support		
Head Start Full Year Part-Day (G044122)		
In-kind contributions		1,905
Head Start Early (G044125)		
In-kind contributions		207,105
Pulic Support Total		209,010
Total expenditures		8,265,708
Change in net assets		(20,954)
Net assets at beginning of year		1,091
Net assets at end of year		(19,863)
Analysis of net assets		
With Donor Restrictions		
NC Transition Grant	$	(19,863)

Head Start Administrative Costs Calculation:
Administrative costs divided by grant revenue ($80,915) / ($979,033) = 8% (04HP000364)
Administrative costs divided by grant revenue $993,469/$6,742,596 = 15% (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 44318 and 45548)
period ending June 30, 2023 and 2024

	Grant Period Ending June 30, 2023 [1]	Grant Period Ending June 30, 2024 [2]	Total
Public support, government grants, and revenues:			
Federal pass through	$ 681,527	$ 344,512	$ 1,026,039
Total public support, government grants, and revenues	681,527	344,512	1,026,039
Expenditures:			
Direct costs:			
Salaries and wages	150,471	135,199	285,670
Fringe benefits	49,388	41,606	90,994
Other (Salaries/Fringes)	23,640	-	23,640
Supplies and materials	14,970	5,910	20,880
Equipment	116,921	20,727	137,648
Travel	217	216	433
Utilities	6,421	5,676	12,097
Repairs and maintenance	7,096	13,264	20,360
Staff development	16,661	7,579	24,240
Communications	6,307	23,083	29,390
Rent	813	6,406	7,219
Professional services	14,351	179	14,530
Dues	5,711	8,467	14,178
Other	228,464	130,690	359,154
Total direct costs	641,431	399,002	1,040,433
Indirect costs	40,096	45,558	85,654
Total expenditures	681,527	444,560	1,126,087
Change in net assets	-	(100,048)	(100,048)
Net assets, beginning of year	-	-	-
Net assets, end of year	$ -	$ (100,048)	$ (100,048)
Analysis of Net Assets			
CSBG Programs	$ -	$ (100,048)	$ (100,048)
NonGrant funds - With Donor Restriction	-	-	-
	$ -	$ (100,048)	$ (100,048)

[1] Reports the 6 month period from January 1, 2023 to June 30, 2023

[2] Reports the 6 month period from July 1, 2023 to December 31, 2023

Action Pathways, Inc.
Statement of Revenues and Expenses - Budget and Actual - Non-GAAP
Community Services Block Grant (Contract# 44318)
for the six months ended December 31, 2022 and June 30, 2023

	Six Months Ended Dec 31, 2022 [1]	Six Months Ended June 30, 2023 [2]	Total	Budget [3]	Variance Favorable (Unfavorable)
Public support, government grants, and revenues					
Federal pass-through	$ 421,462	$ 681,527	$ 1,102,989	$ 1,277,430	$ 174,441
Total public support, government grants, and revenues	421,462	681,527	1,102,989	1,277,430	174,441
Expenditures					
Direct costs					
Salaries and wages	118,327	150,471	268,798	277,870	9,072
Fringe benefits	39,028	49,388	88,416	94,813	6,397
Other (Salaries/Fringes)	7,891	23,640	31,531	46,712	15,181
Supplies and materials	3,596	14,970	18,566	25,200	6,634
Equipment	1,586	116,921	118,507	126,555	8,048
Travel	356	217	573	3,360	2,787
Utilities	5,041	6,421	11,462	22,530	11,068
Repairs and maintenance	31,600	7,096	38,696	59,488	20,792
Staff development	16,569	16,661	33,230	35,358	2,128
Communications	1,508	6,307	7,815	9,173	1,358
Rent	10,194	813	11,007	25,068	14,061
Professional services	3,890	14,351	18,241	51,816	33,575
Dues	9,579	5,711	15,290	17,497	2,207
Other	140,467	228,464	368,931	410,064	41,133
Total direct costs	389,632	641,431	1,031,063	1,205,504	174,441
Indirect costs	31,830	40,096	71,926	71,926	-
Total expenditures	421,462	681,527	1,102,989	1,277,430	174,441
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, 2022 to December 31, 2022

[2] Reports the 6 month period from January 1, 2023 to June 30, 2023

[3] For the July 1, 2023 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 45548)
for the year eneded December 31, 2023
(grant period July 1, 2023 through June 30, 2024)

	Budget [1]	Six Months Ended Dec 31, 2023 [2]	Variance Favorable (Unfavorable)
Public support, government grants, and revenues			
Federal pass-through	$ 1,218,370	$ 344,512	$ (873,858)
Total public support, government grants, and revenues	1,218,370	344,512	(873,858)
Expenditures			
Direct costs			
Salaries and wages	292,085	135,199	156,886
Fringe benefits	106,203	41,606	64,597
Other (Temp Workers)	2,000	-	2,000
Supplies and materials	27,600	5,910	21,690
Equipment	55,000	20,727	34,273
Travel	27,250	216	27,034
Utilities	16,551	5,676	10,875
Repairs and maintenance	45,664	13,264	32,400
Staff development	26,500	7,579	18,921
Communications	47,960	23,083	24,877
Rent	14,265	6,406	7,859
Professional services	2,580	179	2,401
Dues	500	8,467	(7,967)
Other	456,233	130,690	325,543
Total direct costs	1,120,391	399,002	721,389
Indirect costs	97,979	45,558	52,421
Total expenditures	1,218,370	444,560	773,810
Changes in net assets	-	(100,048)	(100,048)
Net assets, July 1, 2022	-	-	-
Net assets, December 31, 2022	$ -	$ -	$ -
Analysis of Net Assets			
CSBG Programs	$ -	$ -	$ -
NonGrant funds - With Donor Restriction	-	-	-
	$ -	$ -	$ -

[1] For the July 1, 2023 through June 30, 2024 budget period

[2] Reports the 6 month period from July 1, 2023 to December 31, 2023

Action Pathways, Inc.
Statement of Revenues and Expenses – Budget and Actual – Non-GAAP
Weatherization, HARRP, and LIHEAP Programs Contract Number CW29669
for the six months ended December 31, 2022 and June 30, 2023

	Six Months Ended December 31, 2022	Six Months Ended June 30, 2023	Total	Budget	Variance Favorable (Unfavorable)
Weatherization:					
Public Support and Revenues:					
Landlord Contributions	$ -	$ -	$ -	$ -	$ -
Grant Funds:					
Total Grant	137,146	313,694	450,840	508,967	(58,127)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support and Revenues	137,146	313,694	450,840	508,967	(58,127)
Expenses:					
Administration	4,645	12,807	17,452	35,046	17,594
Training and Technical Assistance	36,180	28,833	65,013	66,595	1,582
Readiness	765	32,568	33,333	39,565	
Health & Safety	25,169	21,771	46,940	46,940	-
Program Operations	70,387	217,715	288,102	320,821	32,719
Total Expenses	137,146	313,694	450,840	508,967	58,127
Changes in net assets	$ -	$ -	$ -	$ -	$ -
HARRP:					
Public Support and Revenues:					
Landlord Contributions	$ -	$ -	$ -	$ -	$ -
Grant Funds:					
Total Grant	239,297	412,556	651,853	679,582	(27,729)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support and Revenues	239,297	412,556	651,853	679,582	(27,729)
Expenses:					
Administration	5,284	3,737	9,021	25,261	16,240
Program Operations	234,013	408,819	642,832	654,321	11,489
Total Expenditures	239,297	412,556	651,853	679,582	27,729
Changes in net assets	$ -	$ -	$ -	$ -	$ -

Continued

Action Pathways, Inc.
Statement of Revenues and Expenses – Budget and Actual – Non-GAAP (Continued)
Weatherization, HARRP, and LIHEAP Programs Contract Number CW29669
for the six months ended December 31, 2022 and June 30, 2023

	Six Months Ended December 31, 2022	Six Months Ended June 30, 2023	Total	Budget	Variance Favorable (Unfavorable)
LIHEAP:					
Public Support and Revenues:					
Landlord Contributions	$ -	$ -	$ -	$ -	$ -
Donations	-	-	-	-	-
Local Matching	-	-	-	-	-
Grant Funds:					
Total Grant	371,352	670,128	1,041,480	1,051,509	(10,029)
Reduction for unexpended grant funds	-	-	-	-	-
Total Public Support and Revenues	371,352	670,128	1,041,480	1,051,509	(10,029)
Expenses:					
Administration	21,850	33,060	54,910	54,910	-
Program Operations	311,983	523,889	835,872	845,901	10,029
Health & Safety	37,519	113,179	150,698	150,698	-
Total Expenditures	371,352	670,128	1,041,480	1,051,509	10,029
Changes in net assets	$ -	$ -	$ -	$ -	$ -

OTHER DATA

Action Pathways, Inc.
Statement of Financial Position - Non-GAAP
Second Harvest Food Bank of Southeast NC (unaudited)
December 31, 2023

Assets		
Current assets:		
Cash and cash equivalents	$	3,894,748
Accounts receivable		-
Grants receivable		3,444,813
Prepaid expenses		1,178
Total assets	$	7,340,739
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	156,983
Accrued salaries		18,011
Accrued vacation		35,072
Grant refunds payable		8,766
Deferred revenue		399,745
Total current liabilities		618,577
Due to other funds		77,462
Total liabilities		696,039
Net assets:		
Without donor restrictions		2,941,479
With donor restrictions		3,703,221
Total net assets		6,644,700
Total liabilities and net assets	$	7,340,739

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, 2023

Public Support and Revenues		
Grant revenue:		
Federal and federal pass-through	$	1,944,622
State		2,526,043
Local		45,616
Other		1,497,936
Total grants assistance		6,014,217
Donations:		
Cash		587,712
Food		17,698,722
Total donations		18,286,434
Fees:		
Shared maintenance		23,760
Dues		2,449
Total fees		26,209
Other:		
Miscellaneous income		-
Rental income		4,800
Total other		4,800
Total public support and revenues		24,331,660
Expenditures		
Administration:		
Personnel		86,517
Payroll taxes		7,883
Fringe benefits		15,805
Travel		1,969
Supplies		2,758
Contractual and space		79,801
Communications		6,014
Indirect		159,393
Other		54,260
Total administration		414,400
Operating:		
Personnel		281,182
Payroll taxes		27,324
Fringe benefits		49,979
Travel		7,876
Supplies		226,313
Contractual and space		305,310
Communications		260,782

Continued

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, 2023

Food purchases	$	1,672,684
Equipment		129,403
Rentals leased repairs		107,951
Donated food - distributed		11,549,732
Other		150,230
Total operating		14,768,766
Fundraising:		
Personnel		64,888
Payroll taxes		5,912
Fringe benefits		11,534
Supplies		2,069
Contractual and space		337,467
Communications		4,511
Other		76,190
Total fundraising		502,571
Total expenditures		15,685,737
Increase (decrease) in net assets	$	8,645,923

COMPLIANCE SECTION

MPCompany LLP
Certified Public Accountants

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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., which comprise the statement of financial position as of December 31, 2023, 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 March 27, 2025.

Report on 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

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. We did not identify any deficiencies considered to be significant deficiencies.

Report on 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*.

Action Pathways, Inc.'s Response to Findings

Action Pathways, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Action Pathways, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

March 27, 2025

MPCompany LLP
Certified Public Accountants

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Tel (919) 836-9200 | Fax (919) 836-9288 | www.mpcllp.com

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, North Carolina

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, 2023. 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, 2023.

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.

March 27, 2025

Action Pathways, Inc.
Schedule of Findings and Questioned Costs
for the year ended December 31, 2023

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?	X Yes	No
Are any significant deficiencies identified?	Yes	X None reported
Is any noncompliance material to financial statements noted?	Yes	X No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	Yes	X No
Are any significant deficiencies identified?	Yes	X 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	X No

Identification of major federal programs:

CFDA Number	Name of federal program or cluster
93.569	Community Services Block Grant
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as a low-risk auditee?	X Yes	No

Section II. Financial Statement Findings

Finding 2023-001

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: A system of internal control over financial reporting includes controls over proper recognition of inventories.

Condition and Context: During the course of the audit, an understatement of prior year net assets without donor restrictions was identified.

Cause: The Organization did not have adequate procedures in place to separately recognize and report purchased inventories, separate from donated inventories passed through as a the noncontrolling organization on its financial statements.

Effect: The effect was an understatement of the Organization's net assets without donor restrictions as of the beginning of the audit period.

Recommendation: The Organization should update and implement additional internal control processes to properly recognize and report inventory valuation for financial statement reporting.

Responsible Official's Response: The organization is currently in the process of filling vacant positions and updating training for staff in the Inventory Management Division. The inventory management software and Standard Operating Procedures are being revised to strengthen internal controls over financial reporting.

Finding 2023-002

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: An internal control structure should be designed to identify necessary adjusting journal entries, which are significant to an organization's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition and Context: During the course of the audit, numerous adjustments were proposed to management to correct various account balances.

Cause: The organization had several key accounting personnel to retire or resign at the end of 2023 and early 2024 while preparing for the audit. General ledger account balances were not properly reconciled to supporting schedules and recorded prior to the commencement of the financial statement audit.

Effect: Material audit adjustments were required to various general ledger account balances having a significant effect on the reported balances. Not properly and timely reconciling account balances could lead to departures from U.S. GAAP reporting.

Recommendation: We recommend that management implement policies and procedure to ensure general ledger account balances are timely and properly reconciled to supporting schedules for complete financial reporting.

Responsible Official's Response: Management is in the process of hiring and training additional staff to timely and effectively perform reconciliation on a monthly basis. Management is reviewing and implementing Month End Closing Procedures to strengthen internal controls for financial reporting.

Section III. Federal Awards Findings

None.

Action Pathways, Inc.
Summary Schedule of Prior Audit Findings
for the year ended December 31, 2023

None.

Corrective Action Plan
for the year ended December 31, 2023

Financial Statement Findings

Audit Finding Reference: 2023-001 Inventory Reporting

Type of Finding: Financial statement internal control.

Contact Person: Lolita Grant, Interim Director of Finance.

Corrective Action: The organization is currently in the process of filling vacant positions and updating training for staff in the Inventory Management Division. The inventory management software and Standard Operating Procedures are being revised to strengthen internal controls over financial reporting.

Proposed Completion Date: June 30, 2025

Audit Finding Reference: 2023-002 Financial Reporting

Type of Finding: Financial statement internal control.

Contact Person: Lolita Grant, Interim Director of Finance.

Corrective Action: Management is in the process of hiring and training additional staff to timely and effectively perform reconciliation on a monthly basis. Management is reviewing and implementing Month End Close Procedures to strengthen internal controls for financial reporting.

Proposed Completion Date: June 30, 2025.

Federal Award Findings and Questioned Costs

None.

Action Pathways, Inc.
Schedule of Expenditures of Federal and State Awards
for the year ended December 31, 2023

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. S. Department of Health and Human Services			
Direct Programs:			
Head Start Cluster			
Full year Head Start - Part Day	93.600	$ 6,782,344	$ 209,010
Early HeadStart Child Care Partnership	93.600	1,012,076	-
		7,794,420	209,010
477 Cluster			
Passed-through NC Department of Health and Human Services/Office of Economic Opportunity:			
Community Services Block Grant	93.569	1,152,127	-
		1,152,127	-
Passed-through NC Department of Health and Human Services/NC Department of Environmental Quality:			
Weatherization Assistance for Low-Income Persons	93.568	1,354,424	-
Heating Appliance Repair and Replacement Program	93.568	847,631	-
		2,202,055	-
		11,148,602	209,010
U. S. Department of Agriculture			
Passed-through NC Department of Health and Human Services:			
Child and Adult Care Food Program	10.558	262,278	-
Passed-through Feeding the Carolinas			
Local Food Purchase Assistance Program PLUS	10.182	96,606	-
Emergency Food Assistance Cluster			
Passed-through NC Department of Agriculture:			
Emergency Food Assistance Program (Administrative costs)	10.568	599,153	-
Emergency Food Assistance Program (Food commodities) - EFO	10.569	2,699,430	-
Emergency Food Assistance Program (Food commodities) - BBB	10.569	73,610	-
Non-cash assistance		2,773,040	-
Total Emergency Food Assistance Cluster		3,372,193	-
		3,731,077	-
U.S. Department of Treasury			
Passed through NC Department of Agriculture and Consumer Services:			
Coronavirus State and Local Fiscal Relief Funds	21.027	2,765,906	-
Federal Emergency Management Agency			
Direct Programs:			
Emergency Food and Shelter Program	97.024	13,080	-

Continued

Action Pathways, Inc.
Schedule of Expenditures of Federal and State Awards (Continued)
for the year ended December 31, 2023

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. S. Department of Energy			
Passed-through NC Department of Environmental Quality:			
Weatherization Assistance for Low-Income Persons	81.042	417,703	-
Total expenditures of federal awards		$ 18,076,368	$ 209,010
State of North Carolina Grant Program			
State Nutrition Assistance Grant	44108	526,043	-
Total expenditures of state awards		526,043	-
Total expenditures of federal and state awards		$ 18,602,411	$ 209,010

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, 2023

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, 2023. 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) the schedule does not recognize purchased food inventories; rather, payments made to acquire food inventory are shown as expenses of the reporting period.
(c) this schedule does not recognize prepaid expenses; rather, payments made in advance are shown as expenses of the reporting period.
(d) 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 $209,010.

5. FOOD COMMODITIES

Nonmonetary assistance is reported in this Schedule at the fair market value of commodities received. At December 31, 2023, Action Pathways, Inc. had food commodities totaling $291,628 in inventory.

6. SUBRECIPIENTS

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