

Financial Statements

Family Pathways (A Nonprofit Organization)

North Branch, Minnesota

For the Years Ended
June 30, 2019 and 2018

Family Pathways
Table of Contents
June 30, 2019 and 2018

	<u>Page No.</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to the Financial Statements	12
Other Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	24
Schedule of Expenditures of Federal Awards	26
Notes to the Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Family Pathways
North Branch, Minnesota

We have audited the accompanying financial statements of Family Pathways (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Pathways as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

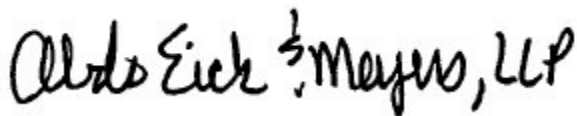
Supplementary Information in Relation to the Financial Statements as a Whole

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional information on pages 22 - 28 and the accompanying schedule of expenditures of federal awards is presented, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Organization's control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 24, 2019

FINANCIAL STATEMENTS

Family Pathways
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 563,641	\$ 440,090
Accounts receivable	159,378	131,983
Inventory	784,616	659,499
Prepays	96,332	70,673
Total Current Assets	1,603,967	1,302,245
Property and Equipment		
Land	1,465,219	1,465,219
Building and improvements	9,163,942	9,179,992
Equipment, fixtures, and vehicles	614,929	445,110
Total Property and Equipment	11,244,090	11,090,321
Less: Accumulated Depreciation	(2,840,983)	(2,495,739)
Total Property and Equipment, Net	8,403,107	8,594,582
Other Assets		
Security deposits	15,182	14,982
Cash held for restricted purposes	50,000	50,000
Total Other Assets	65,182	64,982
 Total Assets	 \$ 10,072,256	 \$ 9,961,809
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	\$ 72,715	\$ 81,367
Accrued salaries and vacation	303,421	253,871
Accrued payroll taxes	14,984	47,760
Accrued interest	7,629	16,867
Other accrued expenses	21,375	30,514
Capital lease liability, current	34,003	-
Mortgages and bonds payable, current	389,730	383,034
Total Current Liabilities	843,857	813,413
Noncurrent Liabilities		
Mortgages and bonds payable - noncurrent, net of deferred financing costs of \$168,396 and \$182,478, respectively	5,031,318	5,413,445
Tenant security deposits	2,362	2,062
Capital lease liability, noncurrent	67,042	-
Total Noncurrent Liabilities	5,100,722	5,415,507
 Total Liabilities	 5,944,579	 6,228,920
Net Assets		
Without donor restrictions	4,002,677	3,672,889
With donor restrictions	125,000	60,000
Total Net Assets	4,127,677	3,732,889
 Total Liabilities and Net Assets	 \$ 10,072,256	 \$ 9,961,809

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Other Support			
Revenue			
Thrift store sales	\$ 5,229,983	\$ -	\$ 5,229,983
Recycling revenue	303,610	-	303,610
Service revenue	37,312	-	37,312
Rental income	59,777	-	59,777
Interest income	1,222	-	1,222
Change in value of swap	453	-	453
Other income	11,918	-	11,918
Total Revenue	<u>5,644,275</u>	<u>-</u>	<u>5,644,275</u>
Support			
Grants	952,494	-	952,494
Contributions - monetary	1,292,066	65,000	1,357,066
Contributions - food	3,267,492	-	3,267,492
Net assets released from restrictions	-	-	-
Total Support	<u>5,512,052</u>	<u>65,000</u>	<u>5,577,052</u>
Total Revenue and Other Support	<u>11,156,327</u>	<u>65,000</u>	<u>11,221,327</u>
Expenses			
Program Services			
Thrift store expenses	3,647,437	-	3,647,437
Basic life services	4,047,449	-	4,047,449
Refuge network	987,986	-	987,986
Senior services	477,147	-	477,147
Youth services	237,928	-	237,928
Total Program Services	<u>9,397,947</u>	<u>-</u>	<u>9,397,947</u>
Support Services			
Management and general	1,153,049	-	1,153,049
Fundraising	275,543	-	275,543
Total Support Services	<u>1,428,592</u>	<u>-</u>	<u>1,428,592</u>
Total Expenses	<u>10,826,539</u>	<u>-</u>	<u>10,826,539</u>
Change in Net Assets	329,788	65,000	394,788
Net Assets, Beginning	<u>3,672,889</u>	<u>60,000</u>	<u>3,732,889</u>
Net Assets, Ending	<u>\$ 4,002,677</u>	<u>\$ 125,000</u>	<u>\$ 4,127,677</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Statements of Activities (Continued)
For the Years Ended June 30, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Revenue			
Thrift store sales	\$ 4,985,112	\$ -	\$ 4,985,112
Recycling revenue	292,573	-	292,573
Service revenue	143,967	-	143,967
Rental income	60,484	-	60,484
Interest income	883	-	883
Change in value of swap	(9,923)	-	(9,923)
Other income	6,305	-	6,305
Total Revenue	<u>5,479,401</u>	<u>-</u>	<u>5,479,401</u>
Support			
Grants	886,390	-	886,390
Contributions - monetary	1,265,815	10,000	1,275,815
Contributions - food	2,502,713	-	2,502,713
Net assets released from restrictions	100,249	(100,249)	-
Total Support	<u>4,755,167</u>	<u>(90,249)</u>	<u>4,664,918</u>
Total Revenue and Other Support	<u>10,234,568</u>	<u>(90,249)</u>	<u>10,144,319</u>
Expenses			
Program Services			
Thrift store expenses	3,673,344	-	3,673,344
Basic life services	3,386,642	-	3,386,642
Refuge network	1,003,968	-	1,003,968
Senior services	477,158	-	477,158
Youth services	289,253	-	289,253
Total Program Services	<u>8,830,365</u>	<u>-</u>	<u>8,830,365</u>
Support Services			
Management and general	712,997	-	712,997
Fundraising	287,134	-	287,134
Total Support Services	<u>1,000,131</u>	<u>-</u>	<u>1,000,131</u>
Total Expenses	<u>9,830,496</u>	<u>-</u>	<u>9,830,496</u>
Change in Net Assets	404,072	(90,249)	313,823
Net Assets, Beginning	<u>3,268,817</u>	<u>150,249</u>	<u>3,419,066</u>
Net Assets, Ending	<u>\$ 3,672,889</u>	<u>\$ 60,000</u>	<u>\$ 3,732,889</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Statements of Functional Expenses
For the Year Ended June 30, 2019

	Program Services					Support Services				Total Expenses
	Thrift Store Expenses	Basic Life Services	Refuge Network	Senior Services	Youth Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs										
Salaries	\$ 2,085,362	\$ 443,817	\$ 666,971	\$ 327,857	\$ 91,108	\$ 3,615,115	\$ 515,135	\$ 132,236	\$ 647,371	\$ 4,262,486
Payroll taxes	154,762	31,567	50,385	24,100	6,840	267,654	63,214	10,163	73,377	341,031
Employee benefits	134,800	44,783	41,897	23,776	7,387	252,643	82,523	1,793	84,316	336,959
Total Personnel Costs	<u>2,374,924</u>	<u>520,167</u>	<u>759,253</u>	<u>375,733</u>	<u>105,335</u>	<u>4,135,412</u>	<u>660,872</u>	<u>144,192</u>	<u>805,064</u>	<u>4,940,476</u>
Expenses										
Food distributed - purchased	-	294,355	8,982	-	3,042	306,379	-	7,043	7,043	313,422
Food distributed - donated	-	3,019,051	92,124	-	31,200	3,142,375	-	-	-	3,142,375
Insurance	93,421	31,157	16,086	5,789	10,855	157,308	4,405	2,514	6,919	164,227
Interest	-	-	-	-	-	-	200,867	-	200,867	200,867
Maintenance and repairs	68,688	14,224	3,200	2,800	8,537	97,449	14,557	-	14,557	112,006
Marketing and public awareness	100,972	-	768	6,752	32	108,524	650	8,319	8,969	117,493
Meals, travel and entertainment	9,861	26,846	31,713	30,161	4,437	103,018	11,044	6,628	17,672	120,690
Office	186	-	1,842	872	560	3,460	4,658	24,496	29,154	32,614
Postage	4	367	145	567	128	1,211	6,555	5,742	12,297	13,508
Processing fees	92,966	-	-	-	-	92,966	12,431	7,093	19,524	112,490
Professional services	2,319	3,626	7,841	2,786	1,899	18,471	121,894	50,531	172,425	190,896
Program supplies	65,892	2,008	11,483	10,332	3,100	92,815	18,935	8,954	27,889	120,704
Rent	177,381	6	-	-	-	177,387	-	-	-	177,387
Small equipment, leases and rentals	16,100	21,486	4,721	4,763	2,863	49,933	6,033	3,105	9,138	59,071
Staff development	6,569	2,483	3,483	5,325	386	18,246	3,506	2,502	6,008	24,254
Storage and transportation	109,014	9,762	4,093	76	473	123,418	6,074	36	6,110	129,528
Telephone/communications/IT	26,077	11,111	18,242	10,403	2,632	68,465	23,107	1,841	24,948	93,413
Trash	103,865	18,857	4,986	4,317	12,975	145,000	5,655	529	6,184	151,184
Utilities	165,173	29,988	7,930	6,866	20,622	230,579	33,270	841	34,111	264,690
Total Expenses Before Depreciation	<u>3,413,412</u>	<u>4,005,494</u>	<u>976,892</u>	<u>467,542</u>	<u>209,076</u>	<u>9,072,416</u>	<u>1,134,513</u>	<u>274,366</u>	<u>1,408,879</u>	<u>10,481,295</u>
Depreciation	<u>234,025</u>	<u>41,955</u>	<u>11,094</u>	<u>9,605</u>	<u>28,852</u>	<u>325,531</u>	<u>18,536</u>	<u>1,177</u>	<u>19,713</u>	<u>345,244</u>
Total Expenses	<u>\$ 3,647,437</u>	<u>\$ 4,047,449</u>	<u>\$ 987,986</u>	<u>\$ 477,147</u>	<u>\$ 237,928</u>	<u>\$ 9,397,947</u>	<u>\$ 1,153,049</u>	<u>\$ 275,543</u>	<u>\$ 1,428,592</u>	<u>\$ 10,826,539</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Statements of Functional Expenses (Continued)
For the Year Ended June 30, 2018

	Program Services					Support Services				Total Expenses
	Thrift Store Expenses	Basic Life Services	Refuge Network	Senior Services	Youth Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel Costs										
Salaries	\$ 1,977,651	\$ 438,553	\$ 707,725	\$ 323,656	\$ 122,543	\$ 3,570,128	\$ 319,485	\$ 113,229	\$ 432,714	\$ 4,002,842
Payroll taxes	150,043	32,265	54,623	24,261	9,492	270,684	4,737	8,857	13,594	284,278
Employee benefits	154,633	38,628	46,249	25,537	10,994	276,041	84,209	4,296	88,505	364,546
Total Personnel Costs	<u>2,282,327</u>	<u>509,446</u>	<u>808,597</u>	<u>373,454</u>	<u>143,029</u>	<u>4,116,853</u>	<u>408,431</u>	<u>126,382</u>	<u>534,813</u>	<u>4,651,666</u>
Expenses										
Food distributed - purchased	216	329,437	8,075	437	720	338,885	-	13,044	13,044	351,929
Food distributed - donated	-	2,293,245	56,211	3,042	5,013	2,357,511	-	-	-	2,357,511
Insurance	67,364	18,652	13,999	622	5,342	105,979	76,232	475	76,707	182,686
Interest	138,343	25,591	6,743	5,894	17,563	194,134	15,919	727	16,646	210,780
Maintenance and repairs	79,669	14,313	3,785	3,277	9,843	110,887	4,291	407	4,698	115,585
Marketing and public awareness	106,007	552	556	6,308	-	113,423	-	8,551	8,551	121,974
Meals, travel and entertainment	9,909	30,522	25,040	35,578	5,413	106,462	3,964	5,514	9,478	115,940
Office	3,580	4,781	3,804	833	300	13,298	5,612	48,864	54,476	67,774
Postage	171	1,189	163	275	81	1,879	7,824	21,577	29,401	31,280
Processing fees	95,363	1,672	442	383	1,150	99,010	2,026	7,123	9,149	108,159
Professional services	2,221	3,585	8,029	3,255	2,032	19,122	99,879	38,772	138,651	157,773
Program supplies	84,643	15,336	4,055	3,511	10,546	118,091	4,422	436	4,858	122,949
Rent	104,509	17,516	4,632	4,010	12,046	142,713	5,252	498	5,750	148,463
Small equipment, leases and rentals	6,267	11,180	8,840	2,621	5,980	34,888	13,217	10,084	23,301	58,189
Staff development	5,630	943	4,263	2,683	874	14,393	13,281	1,304	14,585	28,978
Storage and transportation	139,548	2,980	2,592	-	2,010	147,130	6,361	9	6,370	153,500
Telephone/communications/IT	23,793	12,920	19,607	9,735	3,503	69,558	18,473	727	19,200	88,758
Trash	87,230	15,837	4,188	3,626	10,891	121,772	4,747	451	5,198	126,970
Utilities	187,027	33,956	8,978	7,774	23,351	261,086	10,182	966	11,148	272,234
Total Expenses Before Depreciation	<u>3,423,817</u>	<u>3,343,653</u>	<u>992,599</u>	<u>467,318</u>	<u>259,687</u>	<u>8,487,074</u>	<u>700,113</u>	<u>285,911</u>	<u>986,024</u>	<u>9,473,098</u>
Depreciation and amortization	<u>249,527</u>	<u>42,989</u>	<u>11,369</u>	<u>9,840</u>	<u>29,566</u>	<u>343,291</u>	<u>12,884</u>	<u>1,223</u>	<u>14,107</u>	<u>357,398</u>
Total Expenses	<u>\$ 3,673,344</u>	<u>\$ 3,386,642</u>	<u>\$ 1,003,968</u>	<u>\$ 477,158</u>	<u>\$ 289,253</u>	<u>\$ 8,830,365</u>	<u>\$ 712,997</u>	<u>\$ 287,134</u>	<u>\$ 1,000,131</u>	<u>\$ 9,830,496</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 394,788	\$ 313,823
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	345,244	357,398
Deferred financing cost interest	14,082	17,361
Change in value of SWAP	(453)	9,923
Change in assets:		
Accounts receivable	(27,395)	36,051
Inventory	(125,117)	(145,203)
Prepays	(25,659)	(8,163)
Security deposits	(200)	(6,843)
Change in liabilities:		
Accounts payable	(8,652)	26,829
Accrued salaries and vacation	49,550	45,914
Accrued payroll taxes	(32,776)	26,421
Accrued interest	(9,238)	2,067
Other accrued expenses	(9,139)	(3,781)
Tenant security deposits	300	(300)
Net Cash Provided by Operating Activities	565,335	671,497
 Cash Flows from Investing Activities		
Purchase of property and equipment	(46,942)	(25,609)
Net Cash Used by Investing Activities	(46,942)	(25,609)
 Cash Flows from Financing Activities		
Payments on capital lease liability	(5,782)	-
Payments on long-term debt	(389,060)	(390,398)
Net Cash Used by Financing Activities	(394,842)	(390,398)
 Increase (Decrease) in Cash and Cash Equivalents	123,551	255,490
 Cash and Cash Equivalents, Beginning	440,090	184,600
 Cash and Cash Equivalents, Ending	\$ 563,641	\$ 440,090
 Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 200,867	\$ 210,780
 Noncash Investing and Financing Activities:		
Property purchased with note payable	\$ -	\$ 77,874
 Property financed by capital lease	\$ 106,827	\$ -

See Independent Auditor's Report and Notes to the Financial Statements.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

A. Nature of Activities

Family Pathways (the Organization) is a Minnesota nonprofit corporation whose mission is to work with communities to develop supportive, caring relationships to help people meet their basic needs. The four human service departments (Basic Life, Youth, Senior, and the Refuge Network) provide programs and services to approximately 184,000 residents of Chisago, Pine, Isanti, Kanabec, and Mille Lacs Counties of East Central Minnesota (Region 7E) in addition to the school districts of Forest Lake and Foley, Minnesota and Frederic and St. Croix Falls, Wisconsin. They have been assisting low-income individuals and their families find unique ways of achieving long-term sustainability since incorporation in 1978.

Basic Life Services - The Organization had 11 food shelves at June 30, 2019 in Cambridge, Chisago Lakes, Forest Lake, Hinckley, Mora, North Branch, Onamia, Pine City, and Sandstone, Minnesota, and Frederic and St. Croix Falls, Wisconsin, and a mobile food shelf. The food shelves collect and distribute food and personal items to individuals and families experiencing crisis situations. The trained coordinators work with people to assess immediate needs and develop plans for long-range self-sufficiency while providing professional advocacy and resource referral services.

Youth Services - Youth Services provides multiple programs and technology centers for the area's underserved youth populations. The Circle of Friends (COF) is a peer-mentoring program, designed for special needs children to be included in mainstream activities. Kids First offers school-age youth and adult mentoring relationships on a 1:1 basis. The Youth Enrichment & Technology Centers provide computer labs and homework tutors to assist students with their academic success.

Senior Services - Senior Services assists older adults to remain living independently in their own homes. They conduct in-home assessments, coordinate volunteer visits, and supply respite services to alleviate the strains placed upon caregivers. The volunteers are available to aid clients with routine necessities, such as grocery shopping assistance and transportation to medical appointments. The programs include social respite (adult day centers) for early to mid-stage memory loss clients, and caregiver support groups.

Thrift Stores - The stores strengthen communities by providing livable wages for staff and valuable training for volunteers, while generating ongoing revenues that support Family Pathways programs and services. The stores build ecological awareness in the community by encouraging recycling efforts and promoting the reuse of clothing and household goods.

Refuge Network - The Refuge Network provides support services for people who are currently involved or have been involved in an abusive relationship. The Refuge Network believes that no one deserves to be abused and therefore seeks to bring an end to domestic violence.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles issued by the Financial Accounting Standards Board. For the year ended June 30, 2019, the Organization adopted ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements related to liquidity and availability of resources, expenses and investment return, and cash flows. This ASU is applied retrospectively for the year ended June 30, 2018. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net Assets With Donor Restrictions - Net assets with donor restrictions are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. The Organization had net assets with donor restrictions of \$125,000 and \$60,000 at June 30, 2019 and 2018, respectively.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Revenue is recorded as net assets without donor restrictions or net assets with donor restrictions support, depending on the existence and nature of any donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or by law.

C. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

The Organization considers all short-term debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. Cash accounts are insured by FDIC. The balances may, at times, exceed federally insured limits. The Organization has not experienced any loss on these accounts and believes it is not exposed to any significant credit risk.

E. Accounts Receivable

Accounts receivable consist of amounts due for program services rendered and grants awarded but not yet received. All amounts are expected to be collected within one year. No interest is accrued on accounts receivable. No allowance for uncollectible amounts is considered necessary as of June 30, 2019 and 2018, since management expects all receivables to be collectible.

F. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at present value of the amounts to be collected. No allowance for uncollectible amounts is considered necessary as of June 30, 2019 and 2018, since management expects all receivables to be collectible.

G. Inventory

The Organization estimates the year-end thrift store inventories based on the average of the last month's and two subsequent months' sales.

Food pantry inventory at year-end has been recorded at a combination of both published food bank rates and cost purchases based on yearly activity of both donated and purchased food. The Organization evaluates this for obsolescence monthly as that is the approximate timing for the inventory to turn over.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

H. Property and Equipment

The Organization capitalizes all asset additions over \$3,000. Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair market value at the date of donation. Depreciation and amortization are computed on the straight-line method over the estimated useful life of the respective asset. Total depreciation expense was \$345,244 and \$357,398 for the years ended June 30, 2019 and 2018, respectively.

Estimated economic useful lives are as follows:

Asset	Useful Lives in Years
Buildings and Improvements	10 - 40
Equipment and Fixtures	5 - 7

I. Deferred Financing Costs

Deferred financing costs consist of issuance costs related to tax-exempt bonds and notes payable. These costs are being amortized on the straight-line method over the term of the bond or note. These costs are presented net with the related long-term debt (Note 2). Deferred financing cost interest expense was \$14,082 and \$17,361 for the years ended June 30, 2019 and 2018, respectively.

J. Expense Allocation

The costs of providing various programs have been summarized on a functional basis. Expenses which are not directly identifiable by program or supporting services are allocated based on estimates by management.

K. Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation. The Organization is subject to income tax on any unrelated business, including net rental income.

The Organization has evaluated for uncertain tax positions, and management has determined there are no uncertain tax positions as of June 30, 2019 and 2018.

L. Revenue Recognition

Grants are recorded when awarded by the grantor and are considered to be available for unrestricted use unless specifically restricted by the donor. Government grants are earned when services are provided by the Organization. Contributions are recorded as revenue when received.

Donated materials sold in thrift stores and sold to stores that will recycle various items are recorded as store sales and recycling revenue, respectively, when those items are sold, as this value is determined to be equivalent to the fair value at the date of donation. Donated food is recorded when received at \$1.65 per pound and expensed at \$1.65 per pound when distributed for the year ended June 30, 2019. Donated food was recorded at \$1.75 per pound and expensed at \$1.75 per pound for the year ended June 30, 2018.

Donated property and equipment are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations or donor restrictions when the donated or acquired long-lived assets are placed in service.

Note 1: Summary of Significant Accounting Policies (Continued)

M. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$117,493 and \$121,974 for the years ended June 30, 2019 and 2018, respectively.

N. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) as a new Topic, Accounting Standards Codification *Topic 606*. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09. This ASU is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in fiscal year 2020. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, *Leases*, as a new topic, Accounting Standards Codification 842. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The new guidance is effective for the Organization in fiscal year 2022. The Organization is currently evaluating the impact on the results of operations, financial condition and cash flows and has not determined the impact on its financial statements at this time.

O. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2019, the date the financial statements were available to be issued.

Note 2: Long-term Debt

Tax-Exempt Bond - MidWest One Bank

On December 29, 2015, the Organization entered into a tax-exempt bond issued by the City of North Branch, Minnesota for the purchase of property and the refinance and consolidation of other property debts. The bond consists of three revenue notes: \$1,869,789 2015A revenue note used to finance property and construction of a new thrift store on that property in North Branch, Minnesota; \$216,600 2015B revenue note to refinance that portion of the St. Croix Falls Mall building that is leased out; and \$1,587,979 2015C revenue note used to refinance and consolidate mortgages on properties in North Branch (regional office), Nessel (shelter), and the remaining portion of the St. Croix Falls Mall.

The 2015A revenue note matures on December 29, 2035 and has principal payments of \$10,745 starting in January 2017 and continuing for the life of the note, or until paid off. The Organization is drawing against the 2015A revenue note as needed. Interest on the 2015A revenue note begins at 2.97% but is adjusted every 60th month based on a formula including the then current five-year U.S. Treasury Constant Maturity rate. The 2015B revenue note matures on September 29, 2018 and has fixed principal and interest payments of \$6,968 over the life of the note. Interest on the 2015B revenue note is fixed at 4.20%. This note was paid off on its maturity date. The 2015C revenue note matures on December 29, 2035 and has principal payments of \$9,815 starting in October 2018 and continuing for the life of the note. Interest on the 2015C revenue note begins at 2.97% but is adjusted every 60th month based on a formula including the then current five-year U.S. Treasury Constant Maturity rate.

Special Assessments

In 2008, special assessments for the City of Cambridge were placed into service, with a total assessment of \$32,287, which is payable in semi-annual payments of \$2,085 at 4.94% over 10 years. Assessments are secured by related real estate. Special assessments were paid off during the year ended June 30, 2018.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 2: Notes and Bonds Payable (Continued)

Tax-Exempt Bond - Wells Fargo

A 17-year tax-exempt bond issued by the Minnesota Agricultural and Economic Development Board was entered into on June 1, 2012. The bond was issued to finance the purchase of property and refinance other property debts. The Organization has obtained a fixed payment interest rate swap agreement. The bond and related interest rate swap agreement require monthly payments of interest and principal. Principal payments are \$10,500 and increase annually by \$500 per month. Interest is being paid at 2.24% per month. The swap agreement has a termination date of July 1, 2022. The bond is secured by property located in Cambridge (food shelf, offices), Forest Lake, Rush City, Hinckley, North Branch, Onamia, Pine City, and Princeton.

Tax-Exempt Bond - Woodlands National Bank

A 20-year tax-exempt bond issued by the City of Cambridge, Minnesota, was entered into on June 16, 2006. The bond was issued to finance the purchase of property and refinance other property debts. The bond specifies 240 monthly payments of \$7,492 including interest at 1.79%. The bond is secured by property located in Cambridge (thrift store), Isanti, Mora, and Wyoming.

Note Payable - Stearns Bank

A three-year note payable financed through a bank was entered into on April 21, 2017. The note was issued to finance the purchase of a vehicle. The note specifies monthly payments of \$392, including interest at 5.49%. The note is secured by the related vehicle.

Long-term debt consisted of the following at June 30, 2019 and 2018:

	2019	2018
Tax-exempt Bond - Wells Fargo and SWAP Interest Rate	\$ 1,792,897	\$ 1,941,160
Tax-exempt Bond - Woodlands	581,710	666,885
Note Payable - Stearns Bank	3,802	8,136
Tax-exempt Bond 2015A - MidWest One	1,677,489	1,755,325
Tax-exempt Bond 2015B - MidWest One	-	20,782
Tax-exempt Bond 2015C - MidWest One	1,533,546	1,586,669
Total Long-term Debt	5,589,444	5,978,957
Less: deferred financing costs (Note 1J)	(168,396)	(182,478)
Less: current portion of long-term debt	(389,730)	(383,034)
Net Long-term Debt	\$ 5,031,318	\$ 5,413,445

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 2: Notes and Bonds Payable (Continued)

Future maturities of long-term debt are as follows:

Period Ended June 30,	Total Amount	Deferred Financing Costs	Net Amount
2020	\$ 403,382	\$ (13,652)	\$ 389,730
2021	411,734	(13,652)	398,082
2022	423,710	(13,652)	410,058
2023	435,769	(13,652)	422,117
2024	448,052	(13,652)	434,400
Thereafter	<u>3,466,797</u>	<u>(100,136)</u>	<u>3,366,661</u>
Total	<u>\$ 5,589,444</u>	<u>\$ (168,396)</u>	<u>\$ 5,421,048</u>

Note 3: Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2019 and 2018:

	2019	2018
Agency - Strategic Planning Grant	\$ 40,000	\$ -
Mardag Foundation	25,000	-
Refuge Network	10,000	10,000
Endowment - Organizational Advancement	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 125,000</u>	<u>\$ 60,000</u>

The Organization has received \$50,000 in restricted funding from donors to be kept in perpetuity for the advancement of the Organization's mission, vision, and values. The earnings may be used for program operations.

The board of directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

The funds are being held at a bank until the board develops and approves resolutions regarding an investment policy and the minimum fund levels required before earnings may be distributed. These amounts are held for long-term purposes and therefore, they are not considered current assets.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 4: Endowment Fund

The Organization holds a certain fund in net assets with donor restrictions there were received from donors with a restriction designation and are to be held in perpetuity with the income and related investments gains to be used for purposes as determined by the Board of Directors.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restriction, those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Endowment Composition

Endowment net asset compositions by type of fund as of June 30, 2019 and 2018 consisted of net assets with donor restrictions of \$50,000 and \$50,000, respectively. There were no board designated endowment funds at year-end.

Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization does not have a formal spending policy relating to endowments, but the board does review the fund periodically, and the finance committee does approve distributions from the endowment funds.

Note 5: Pension Plan

The Organization offers a 401(k) plan for its employees. Eligible employees are allowed to make salary reduction contributions and the Organization matches those contributions up to 2% of compensation. The Organization contributed \$33,490 and \$29,535 for the years ended June 30, 2019 and 2018, respectively.

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 6: Leases

The Organization has three building leases and numerous copier leases at various locations that expire at various times through 2021. Rental expense was \$171,966 and \$140,434 for the years ended June 30, 2019 and 2018, respectively.

A. Operating Leases

The future rental commitments for operating leases are as follows for the years ending June 30:

<u>Period Ended June 30,</u>	<u>Amount</u>
2020	\$ 176,124
2021	138,363
2022	<u>34,500</u>
Total	<u>\$ 348,987</u>

B. Capital Leases

The Organization leases computers and laptops under capital lease agreements expiring in various years through 2022. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Interest rates on capitalized leases vary from 0.0 percent to 10.0 percent and are imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

The future rental commitments for capital leases are as follows for the years ending June 30:

<u>Period Ended June 30,</u>	<u>Amount</u>
2020	\$ 38,703
2021	38,703
2022	<u>31,905</u>
Subtotal	109,311
Less: interest	<u>(8,267)</u>
Total	<u>\$ 101,044</u>

Family Pathways
Notes to the Financial Statements
June 30, 2019 and 2018

Note 7: Liquidity and Availability of Resources

The Organization's board of directors has approved and monitors a comprehensive set of policies which govern the responsibilities and limitations of financial management. In turn, management routinely monitors liquidity and cash reserves which fund operations and program service delivery in accordance with these board established policies. Additionally, liquidity measures are tracked and provided to the board of directors as part of its regular reporting cycle and to funders as requested.

Liquid financial assets available for general expenditure (that is without donor restriction or organizational designation which limit their use) within one year of the date of the statement of financial position include the following:

- Advancements from the line of credit when liquidity falls below the ability to meet financial obligations due within 30 days.
- Payments to the line of credit occur when liquidity rises above the ability to meet financial obligations due within 60-90 days.

The Organization's liquid financial assets available to meet cash needs for general expenditures within one year are summarized as follows:

Financial Assets, June 30	
Cash and cash equivalents	\$ 563,641
Accounts receivable	159,378
Cash held for restricted purposes	50,000
Total Financial Assets	773,019
Less Those Unavailable for General Expenditure Within One Year, Due to:	
Donor restrictions	(125,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 648,019

OTHER REPORTS



INDEPENDENT AUDITOR'S 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*

Board of Directors
Family Pathways
North Branch, Minnesota

We have audited, in accordance with the 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 consolidated financial statements of the Family Pathways and (the Organization) which comprise the consolidated statement of financial position as of and for the year ended June 30, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

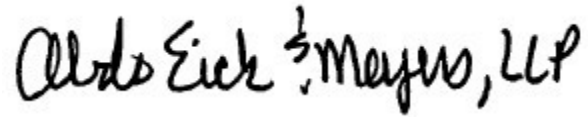
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in black ink that reads "Aldo Eick & Meyers, LLP". The signature is written in a cursive, flowing style.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 24, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Family Pathways
North Branch, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Family Pathways' (the Organization), (a Minnesota not-for-profit corporation), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

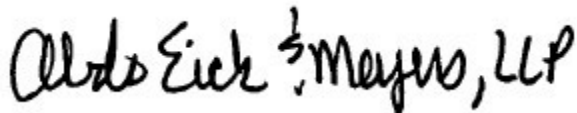
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 24, 2019

Family Pathways
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Program or Cluster Title	Pass-Through Agency	Pass-Through Identifying Number	Federal CFDA Number	Federal Expenditures
U.S Department of Agriculture				
Emergency Food Assistance Program (Non-Cash Award)	Second Harvest Heartland	99778; GRK%144570	10.569	\$ 581,364
		Total for Department of Agriculture		<u>581,364</u>
U.S Department of Justice				
Crime Victim Assistance	Minnesota Department of Public Safety	A-CVS-2018-FAMPATH- 50560	00100/3- 16.575	283,994
		Total for Department of Justice		<u>283,994</u>
U.S Department of Health and Human Services				
Special Programs for the Aging - Title IIIB and IIIE	Central Minnesota Council on Aging	315-18-003B-011 315-18-003E-009 315-19-003B-011 315-19-003E-009	93.044	148,872
		Total for Department of Health and Human Services		<u>148,872</u>
		Total Expenditures of Federal Awards		<u><u>\$ 1,014,230</u></u>

Family Pathways
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2019 and 2018

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Cost Rate

During the year ended June 30, 2019, the Organization did not elect to use the 10% de minimis indirect cost rate.

Note 3: Award Reconciliation

Total Expenditures of Federal Awards	\$ 1,014,230
Less: TEFAP included in Contributions - Food	(581,364)
Add: State Awards	<u>519,628</u>
Total Grants per Statement of Activities	<u><u>\$ 952,494</u></u>

Family Pathways
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

**Federal
CFDA
Number**

Identification of Major Federal Programs:

Emergency Food Assistance Program	10.569
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 750,000
Auditee qualified as low-risk auditee pursuant to the Uniform Guidance	No

Section II - Findings - Financial Statement Audit

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

There are no significant deficiencies, material weaknesses, or instances of material noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Other Issues

A Corrective Action Plan is not required because there were no current year findings required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.