

BRITEPATHS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

BRITEPATHS, INC.
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

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Bernard M. Gordon, CPA, PLC

Certified Public Accountant and Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Britepaths, Inc.

Opinion

I have audited the accompanying financial statements of Britepaths, Inc. (a not-for-profit corporation), which consist of the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Britepaths, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I am required to be independent of Britepaths, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 Britepaths, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Britepaths, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Bernard M. Gordon, CPA, PLC

October 24, 2023

BRITEPATHS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED INFORMATION AT JUNE 30, 2022)

ASSETS

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 685,071 | \$ 960,792 |
| Receivable for costs recoverable under government grants | 8,105 | 398,733 |
| Government grant receivable | 20,908 | - |
| Accrued contract receivable | 90,000 | 76,240 |
| Non-government grants, contributions and other receivable | 55,627 | 36,585 |
| Gift cards | 27,010 | 43,747 |
| Food inventory | 3,787 | 2,217 |
| Prepaid expenses | 17,042 | 30,835 |
| Loans receivable - clients | 9,739 | 13,769 |
| Property and equipment, net | 25,888 | 46,898 |
| Intangible assets, net | 14,496 | 14,491 |
| Operating lease right of use asset | 341,117 | - |
| Tenant security deposit | 6,765 | 6,765 |
| TOTAL ASSETS | \$ 1,305,555 | \$ 1,631,072 |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|---------------------------------------|-----------|------------|
| Accounts payable and accrued expenses | \$ 24,921 | \$ 194,776 |
| Accrued payroll and payroll taxes | 56,057 | 49,910 |
| Deferred government contract revenue | - | 299,264 |
| Deferred rent | - | 15,516 |
| Operating lease liability | 348,404 | - |
| Deposit payable | 6,765 | 6,765 |
| TOTAL LIABILITIES | 436,147 | 566,231 |

NET ASSETS

| | | |
|----------------------------|---------|-----------|
| Without donor restrictions | 822,000 | 1,059,841 |
| With donor restrictions | 47,408 | 5,000 |
| TOTAL NET ASSETS | 869,408 | 1,064,841 |

| | | |
|---|---------------------|---------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,305,555 | \$ 1,631,072 |
|---|---------------------|---------------------|

See notes to financial statements.

BRITEPATHS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|---|----------------------------------|----------------------------|-------------------|---------------------|
| REVENUE | | | | |
| Donated services, facilities use, and goods | \$ 191,199 | \$ - | \$ 191,199 | \$ 169,944 |
| Contributions | 596,464 | 9,000 | 605,464 | 653,128 |
| Government contracts | 1,367,567 | - | 1,367,567 | 5,469,401 |
| Government grants | 391,997 | 20,908 | 412,905 | 801,617 |
| Non-government contracts | 225,000 | - | 225,000 | 190,600 |
| Non-government grants | 63,500 | 35,000 | 98,500 | 115,300 |
| Special events | 68,161 | - | 68,161 | 93,611 |
| Less: Costs of direct benefits to donors | (44,754) | - | (44,754) | (51,968) |
| Donated gift cards | 14,329 | - | 14,329 | 19,651 |
| Interest and other revenue | 5,243 | - | 5,243 | 2,768 |
| Net assets released from restrictions | | | | |
| Satisfaction of purpose restrictions | 22,500 | (22,500) | 0 | 0 |
| TOTAL REVENUE | <u>2,901,206</u> | <u>42,408</u> | <u>2,943,614</u> | <u>7,464,052</u> |
| EXPENSES | | | | |
| Program services | 2,644,004 | - | 2,644,004 | 6,943,978 |
| Fundraising | 256,684 | - | 256,684 | 252,037 |
| General and administrative | 238,359 | - | 238,359 | 170,531 |
| TOTAL EXPENSES | <u>3,139,047</u> | <u>-</u> | <u>3,139,047</u> | <u>7,366,546</u> |
| INCOME FROM OPERATIONS | (237,841) | 42,408 | (195,433) | 97,506 |
| GAIN ON EXTINGUISHMENT OF PAYCHECK PROTECTION PROGRAM DEBT | <u>-</u> | <u>-</u> | <u>-</u> | <u>160,000</u> |
| CHANGE IN NET ASSETS | (237,841) | 42,408 | (195,433) | 257,506 |
| NET ASSETS AT BEGINNING OF YEAR | <u>1,059,841</u> | <u>5,000</u> | <u>1,064,841</u> | <u>807,335</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 822,000</u> | <u>\$ 47,408</u> | <u>\$ 869,408</u> | <u>\$ 1,064,841</u> |

See notes to financial statements.

BRITEPATHS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

| | Emergency Rental Assistance | Financial Assistance | Financial Empowerment Center | Food | Workforce Development | Financial Literacy | Community Education | Seasonal Programs | Advocacy | Total Program Services | Fund-raising | General and Administrative | Indirect Expenses | Cost of Direct Benefits to Donors | 2023 Grand Total | 2022 Grand Total |
|---|-----------------------------|----------------------|------------------------------|------------|-----------------------|--------------------|---------------------|-------------------|----------|------------------------|--------------|----------------------------|-------------------|-----------------------------------|------------------|------------------|
| Advertising | \$ - | \$ - | \$ 2,463 | \$ - | \$ - | \$ - | \$ 522 | \$ - | \$ - | \$ 2,985 | \$ 6 | \$ - | \$ - | \$ - | \$ 2,991 | \$ 1,960 |
| Audit and accounting fees | - | - | - | - | - | - | - | - | - | - | - | 15,000 | - | - | 15,000 | 12,000 |
| Bank and transaction fees | 216 | 108 | - | 125 | - | 60 | 824 | 1,108 | - | 2,441 | 308 | 429 | 4,522 | - | 7,700 | 9,373 |
| Consultants | - | - | 2,138 | - | - | - | 981 | - | - | 3,119 | 100 | - | 1,400 | - | 4,619 | 11,375 |
| Depreciation and amortization | - | - | - | - | - | - | - | - | - | - | - | - | 25,353 | - | 25,353 | 22,710 |
| Dues and subscriptions | - | - | 1,361 | - | - | - | 1,734 | - | - | 3,095 | 2,395 | 12,157 | 1,741 | - | 19,388 | 18,171 |
| Financial assistance grants | 770,885 | 392,712 | - | - | 10,017 | 396 | - | - | - | 1,174,010 | - | - | - | - | 1,174,010 | 5,563,777 |
| Information technology | - | - | 2,070 | - | - | - | 46 | - | - | 2,116 | - | 12,931 | 12,842 | - | 27,689 | 22,965 |
| Insurance - general | - | - | - | - | - | - | - | - | - | - | - | 32,932 | - | - | 32,932 | 18,295 |
| Insurance - health and life | - | - | - | - | - | - | - | - | - | - | - | 23,497 | - | - | 23,497 | 17,539 |
| In-kind donations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Facilities use | - | - | 13,844 | - | - | - | - | - | - | 13,844 | - | - | 4,044 | - | 17,888 | 17,888 |
| Services | - | 120 | 120,215 | - | - | 500 | 200 | - | - | 121,035 | - | - | 24,400 | - | 145,435 | 126,770 |
| Goods and other | - | - | - | 19,869 | - | - | - | 6,374 | - | 26,243 | - | 100 | - | - | 26,343 | 23,604 |
| Miscellaneous | - | 217 | 1,325 | 1,181 | 328 | 3,620 | 173 | 13 | - | 6,857 | 1,100 | 13,395 | 2,097 | - | 23,449 | 15,829 |
| Office supplies | - | 19 | 385 | 562 | 51 | - | 17 | 46 | - | 1,080 | 332 | 5,697 | - | - | 7,109 | 6,115 |
| Payroll processing fees | - | - | - | - | - | - | - | - | - | - | - | - | 3,961 | - | 3,961 | 3,901 |
| Postage and shipping | - | 898 | 36 | 947 | 9 | - | 93 | 280 | - | 2,273 | 2,855 | 1,449 | - | - | 6,577 | 7,391 |
| Printing and copying | - | 59 | 286 | 334 | - | - | 2,479 | 594 | - | 3,752 | 6,335 | 2,221 | - | - | 12,308 | 10,675 |
| Program support | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gift cards distributed | - | 490 | 740 | 189,233 | - | - | - | 39,750 | - | 230,213 | 269 | 5,047 | - | - | 235,529 | 219,615 |
| Goods | - | - | - | 6,708 | - | - | - | 25,000 | - | 25,000 | - | - | - | - | 25,000 | - |
| ODV vouchers and SNAP | - | - | - | - | - | - | - | - | - | 6,708 | - | - | - | - | 6,708 | 4,534 |
| Rent and copier lease | - | - | - | - | - | - | - | - | - | - | - | 3,842 | 72,412 | - | 76,254 | 73,328 |
| Retirement plan expense | - | - | - | - | - | - | - | - | - | - | - | - | 20,981 | - | 20,981 | 20,657 |
| Salary and payroll taxes | 102,217 | 18,504 | 184,154 | 57,501 | 190,245 | 85,171 | 72,569 | 4,390 | 488 | 715,239 | 170,512 | 67,285 | 240,727 | - | 1,193,763 | 1,133,554 |
| Special events expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | 44,754 | 44,754 | 51,968 |
| Telephone | - | - | - | - | - | - | - | - | - | - | - | 3,792 | 771 | - | 4,563 | 4,520 |
| | 873,318 | 413,127 | 329,017 | 276,460 | 200,850 | 89,747 | 79,638 | 77,565 | 488 | 2,340,010 | 184,212 | 199,774 | 415,051 | 44,754 | 3,183,801 | 7,418,514 |
| Allocation of indirect expenses | 43,445 | 7,865 | 78,270 | 24,439 | 80,858 | 36,200 | 30,844 | 1,866 | 207 | 303,994 | 72,472 | 38,585 | (415,051) | - | 0 | 0 |
| Total expenses | 916,763 | 420,992 | 407,287 | 300,899 | 281,508 | 125,947 | 110,482 | 79,431 | 695 | 2,644,004 | 256,684 | 238,359 | 0 | 44,754 | 3,183,801 | 7,418,514 |
| Less expenses included with revenues on statement of activities | - | - | - | - | - | - | - | - | - | - | - | - | - | (44,754) | (44,754) | (51,968) |
| Special events expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total expenses included in the expense section on the statement of activities | \$ 916,763 | \$ 420,992 | \$ 407,287 | \$ 300,899 | \$ 281,508 | \$ 125,947 | \$ 110,482 | \$ 79,431 | \$ 695 | \$ 2,644,004 | \$ 256,684 | \$ 238,359 | \$ 0 | \$ 0 | \$ 3,139,047 | \$ 7,366,546 |

See notes to financial statements.

BRITEPATHS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (195,433) | \$ 257,506 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 25,353 | 22,710 |
| Gain on extinguishment of Paycheck Protection Program debt | - | (160,000) |
| Deferred rent payable at date of new lease standard (FASB Accounting Standards Codification topic 842) implementation | (15,516) | - |
| (Increase) decrease in operating assets: | | |
| Receivable for costs recoverable under government grants | 390,628 | (198,240) |
| Government grant receivable | (20,908) | - |
| Accrued contract receivable | (13,760) | (46,240) |
| Non-government grants, contributions, and other receivables | (19,042) | 8,485 |
| Other assets | - | 5,756 |
| Gift cards | 16,737 | (22,273) |
| Food inventory | (1,570) | (1,828) |
| Prepaid expenses | 13,793 | (11,073) |
| Loans receivable - clients | 4,030 | (473) |
| Operating lease right of use asset | (341,117) | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (169,855) | 159,089 |
| Accrued payroll and payroll taxes | 6,147 | 15,428 |
| Deferred government contract revenue | (299,264) | (859,599) |
| Deferred rent | - | (6,456) |
| Operating lease liability | 348,404 | - |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | (271,373) | (837,208) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | - | (27,167) |
| Purchase of intangible assets | (4,348) | (17,176) |
| NET CASH USED FOR INVESTING ACTIVITIES | (4,348) | (44,343) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (275,721) | (881,551) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 960,792 | 1,842,343 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 685,071 | \$ 960,792 |

See notes to financial statements.

BRITEPATHS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

1. NATURE OF ACTIVITIES

Britepaths, Inc. (“Britepaths”) provides our Fairfax County area neighbors in need with short-term safety-net services and empowers them to work toward long-term self-sufficiency. Britepaths began in 1984 and incorporated in Virginia in 1989 as Our Daily Bread, Inc. The name was changed in 2016 to Britepaths to better reflect our organization’s mission. Britepaths operates the following programs with the help of volunteers:

Emergency Rental Assistance

Britepaths processes direct assistance payments for rent and other expenses related to housing to eligible recipients as determined by the County of Fairfax government. Funding for the program is provided to Britepaths by the County of Fairfax government from funds the County received from the U.S. Department of the Treasury.

Financial Assistance

Britepaths enlists and coordinates volunteers to evaluate requests from referring government agencies for emergency financial assistance grants. These grants are generally one-time emergency situations. Britepaths provides financial assistance grants to pay rent, utilities, medical and other emergency expenses, including auto repair.

Financial Empowerment Center

Through agreements with United Way of the National Capital Area and the County of Fairfax, Virginia, Britepaths is the lead not-for-profit partner managing the operation of the Financial Empowerment Center at South County, which offers financial coaching and workshops in budgeting, personal finance, life skills and more.

Food

The organization coordinates a monthly food program by finding and matching a group of volunteers to a list of clients referred by government agencies. The volunteers typically pay for groceries and/or gift cards and deliver them directly to the clients. In addition, Britepaths maintains a food pantry to make emergency deliveries to families with urgent needs. Britepaths also provides gift cards and other items to public school students in need.

Workforce Development

Britepaths matches a professional volunteer mentor with a client to improve job seeking skills. Workshops are conducted on topics including resume writing and interviewing. Small stipends are awarded to eligible clients for job training.

Financial Literacy

Britepaths educates clients in basic household budgeting and understanding credit through four programs: one-on-one counseling is provided through the Financial Mentoring Program and Financial Counseling Clinics, small group instruction is provided through budgeting classes, and eligible clients may participate in the MPower Loan Program in which the client is provided with a zero-interest loan. Britepaths’ staff train and supervise volunteers who provide mentoring and classroom instruction.

BRITEPATHS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

Community Education

Britepaths provides information about its activities to the community and referring agents and fosters relationships with donors through several mediums, including the organization's website, social media, print materials, display boards, and newsletters.

Seasonal Programs

Britepaths works with Fairfax County government agencies, community-based organizations, faith communities, area businesses, individual families, and other volunteers to provide school supplies, holiday meals, gifts of clothing and toys, and store gift cards to clients referred by governmental agencies, faith communities, and not-for-profit organizations.

Advocacy

Britepaths' Board members and staff advocate for Board-selected issues to create an environment where Britepaths' clients can achieve long-term self-sufficiency.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

Britepaths presents its financial statements in accordance with United States generally accepted accounting principles for not-for-profit organizations.

Cash and cash equivalents

Britepaths considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Britepaths considers all receivables to be fully collectible and, therefore, there is no allowance for doubtful accounts. Britepaths does not require collateral for receivables.

Food inventory

Food inventory consists of donated and purchased food. Donated items are recorded at fair value as of the donation date. Purchased items are recorded at cost. Inventory is stated in the statement of financial position at the lower of cost or realizable value using the first in, first out (FIFO) method.

Property and equipment

Britepaths capitalizes property and equipment acquisitions of \$500 or more. Purchased property and equipment is capitalized at cost. Donated property and equipment is capitalized at estimated fair value and revenue is recorded. Property and equipment is depreciated using the straight-line method over the estimated useful lives of three to seven years.

Intangible assets

Intangible assets consist of a website and database software, which are capitalized at cost. Intangible assets are amortized using the straight-line method over the estimated useful life of three years.

BRITEPATHS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

Bank loan - PPP

Britepaths accounts for the forgivable loan received from a bank under the U.S. Small Business Administration's Paycheck Protection Program as debt, in accordance with the Financial Accounting Standards Board's Accounting Standards Codification topic 470.

Net assets

Net assets are classified based on the existence, or absence, of restrictions imposed by donors. Accordingly, net assets are reported in the following classifications:

- Net assets without donor restrictions – net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the organization's mission.
- Net assets with donor restrictions – net assets subject to restrictions imposed by donors. Some restrictions are temporary in nature; those restrictions are met by actions of Britepaths or the passage of time. Other restrictions are perpetual in nature, where the donor has stipulated the funds be maintained by Britepaths in perpetuity.

Revenue and revenue recognition

Contributions are recognized as revenue when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give (i.e., those with a measurable performance or other barrier and a right of return) are not recognized as revenue until the conditions on which they depend are met.

Contributions are recorded as (i) net assets without donor restrictions, or (ii) net assets with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized, i.e., Britepaths has a simultaneous release policy. All other contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Grants are accounted for as "contracts with customers" if each party under the agreement directly receives commensurate value. Other grants are accounted for as "contributions".

Income taxes

Britepaths is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Advertising costs

Advertising costs are charged to expense as incurred.

BRITEPATHS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses for each function. Accordingly, certain costs have been allocated among the programs, management and general, and fundraising. Expenses are allocated based on estimates of time and effort.

Concentration of credit risk

Financial instruments which subject Britepaths to concentrations of credit risk consist primarily of cash and cash equivalents at a bank and a credit union. The balances at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000, and the balance at the credit union is insured by the National Credit Union Administration, also up to \$250,000. At times, amounts on deposit may exceed the federally insured limit. Britepaths has not experienced, nor does it anticipate, any losses in the accounts at the bank and credit union.

Estimates

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

Reclassifications

Certain amounts for the year ended June 30, 2022 in these financial statements have been reclassified to conform to the financial statement presentation for the year ended June 30, 2023. These reclassifications had no effect on the reported net assets.

3. LOANS RECEIVABLE – CLIENTS

Loans to clients are zero interest loans.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|------------------|------------------|
| Furniture and office equipment | \$ 128,074 | \$ 128,074 |
| Leasehold improvements | 2,166 | 2,166 |
| Less: accumulated depreciation | <u>(104,352)</u> | <u>(83,342)</u> |
| | <u>\$ 25,888</u> | <u>\$ 46,898</u> |

BRITEPATHS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2022)

5. INTANGIBLE ASSETS

Intangible assets consist of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|------------------|------------------|
| Website and database software | \$ 134,756 | \$ 130,409 |
| Less: accumulated amortization | <u>(120,260)</u> | <u>(115,918)</u> |
| | <u>\$ 14,496</u> | <u>\$ 14,491</u> |

6. BANK LOAN - PPP

In April 2020 Britepaths received a \$160,000 bank loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration. The loan, including interest, is subject to forgiveness upon Britepaths’ request to the extent Britepaths meets certain criteria and the loan proceeds are used to pay expenses permitted by the PPP, including payroll. Britepaths applied for forgiveness of the loan. The application was approved and the loan was forgiven effective August 11, 2021.

The loan is accounted for in the financial statements as debt, in accordance the Financial Accounting Standards Board’s Accounting Standards Codification topic 470. Britepaths reclassified the loan as a gain effective August 11, 2021, upon obtaining legal release.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 and 2022 is \$47,408 and \$5,000, respectively. These net assets are restricted for use in various programs.

8. DONATED SERVICES, FACILITIES USE, AND GOODS

For the years ended June 30, Britepaths recognized revenue in the statement of activities for the fair value of the following donated items:

| | <u>2023</u> | <u>2022</u> |
|-----------------|-------------------|-------------------|
| Services | \$ 145,435 | \$ 126,770 |
| Facilities use | 17,888 | 17,888 |
| Goods and other | <u>27,876</u> | <u>25,286</u> |
| | <u>\$ 191,199</u> | <u>\$ 169,944</u> |

In addition, during the years ended June 30, 2023 and 2022 Britepaths received approximately 4,600 and 4,000 hours, respectively of donated services from unpaid volunteers who assist the organization in a variety of tasks. The value of these services is estimated at \$133,000 and \$117,000 for the years ended June 30, 2023 and 2022, respectively. No revenue has been recognized for these services in the statement of activities because they do not meet the criteria for recognition under generally accepted accounting principles.

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Donated services are provided by professionals (certified financial planners, certified public accountants, and others) who perform financial coaching and conduct workshops in a variety of topics including budgeting and personal finance. Donated services are used in programs and are recognized at fair value.

Donated facilities use revenue is recognized at the fair value of facilities used by Britepaths in excess of cost. Donated facilities are used in the programs offered through the Financial Empowerment Center and for administrative purposes.

Donated goods and other in-kind revenue is recognized at the fair value of the items provided to Britepaths. Donated goods and other in-kind donations are mostly used in programs.

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

Britepaths has two types of “contracts with customers”: (i) contracts to operate a Financial Empowerment Center, and (ii) contracts to provide direct client financial assistance.

Contracts to operate a Financial Empowerment Center (non-government contract revenue)

Contract types – Britepaths earns revenue from contracts awarded by one non-government customer. The contracts are nearly identical to each other but cover different time periods.

Performance obligations – Britepaths operates a dedicated center which provides, at no charge, financial coaching and workshops in budgeting, personal finance, life skills, and more to individuals of low to moderate income residing in the surrounding community.

Significant judgments related to the above grant –

- Performance obligations are recognized over time, not at a point of time.
- Revenue is not constrained, i.e., there are no uncertainties in recognizing revenue.

Reconciliation of contract balances – There are no contract assets or liabilities at July 1, 2021, June 30, 2022 and June 30, 2023. Receivables from contracts with customers (i.e., accrued contract receivable) at June 30, 2023 and 2022 is \$90,000 and \$76,240, respectively.

Revenue earned – Revenue earned from the above contracts is recognized evenly over the period of the contract, based on time elapsed.

Contracts to provide direct client financial assistance (government contract revenue)

Contract type – Britepaths earns revenue from contracts awarded by the County of Fairfax government and City of Fairfax government from funds the County and City received from the federal government.

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Performance obligations – Britepaths provides financial assistance for food, rent, and other basic needs to clients referred by the entity awarding the contract to Britepaths.

Significant judgments related to the above grant –

- Performance obligations are recognized at a point of time, not over time.
- Revenue is not constrained, i.e., there are no uncertainties in recognizing revenue.

Reconciliation of contract balances – At July 1, 2021 and June 30, 2022, there are no contract assets and no receivables. At July 1, 2021 there are no contract liabilities. At June 30, 2022, there is \$299,264 of contract liabilities, which consists of deferred government contract revenue. At June 30, 2023 there are no contract liabilities.

Revenue earned – Revenue earned from the above contracts is recognized (i) to the extent of direct assistance payments incurred, plus (ii) an administrative fee, which is calculated based on the proportion of direct assistance payments incurred to the total contract direct assistance payments times the total contract administrative fee.

10. REVENUE CONCENTRATION

During the years ended June 30, 2023 and 2022, 82% and 58%, respectively of total revenue was derived from County of Fairfax agreements, including donated facilities use.

11. OPERATING LEASES

Britepaths implemented a new accounting standard, FASB Accounting Standards Codification topic 842 (Leases), effective July 1, 2022. Under the new standard, Britepaths recorded in its statement of financial position a 1) liability for all future payments due under its main office lease, and 2) right of use asset in an amount equal to the liability. In addition, Britepaths reclassified the balance in the deferred rent liability account as an offset in the right of use asset account. Implementation of this new standard did not result in a change to Britepaths' net assets or to prior period financial statements.

Britepaths leases its main office under an agreement whose term began October 1, 2018. Effective March 2023, Britepaths exercised its option to extend the lease term through October 31, 2028. Britepaths pays base rent of \$5,606 per month plus additional rent for its proportionate share of operating expenses that exceed base year operating expenses. Base rent increases 2.75% each year. Under agreements with the County of Fairfax, Britepaths receives reimbursement for actual lease costs incurred.

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Future minimum lease payments under the main office lease as of June 30, 2023 are:

| <u>Year ended June 30</u> | |
|----------------------------------|--------------------------|
| 2024 | \$ 71,358 |
| 2025 | 68,502 |
| 2026 | 70,386 |
| 2027 | 72,322 |
| 2028 | 74,311 |
| | <u>24,993</u> |
| Total lease payments | 381,872 |
| Less: interest | <u>(33,468)</u> |
| Present value of lease liability | <u><u>\$ 348,404</u></u> |

Britepaths calculates the present value of the lease liability using a discount rate of 2.92%, which is the 7-year U.S. Treasury rate at July 1, 2022, the effective date of implementation of the new standard. This rate is the risk-free rate for a period comparable to the lease term.

Britepaths has several other leases, in addition to the main office lease above. The new standard has not been applied to the other leases because they are either (i) month-to-month leases, which are outside the scope of the new standard, or (ii) are not material. The other leases consist of:

- A lease for storage space and a separate lease for the Financial Empowerment Center at South County office. These leases are no cost leases under two separate License Agreements with the County of Fairfax. The terms of these leases run concurrent with grant agreements with the County and automatically renew any time the grants are renewed. The License Agreements expire June 30, 2024.
- A copier lease, effective March 2023, whereby Britepaths is required to \$204 per month over the 60-month term of the lease.

Rent and copier lease expense for the years ended June 30, 2023 and 2022 is \$94,142 and \$91,216, respectively, of which \$17,888 each year is donated facilities use expense.

12. RETIREMENT PLAN

Britepaths has a 403(b) retirement plan, which covers substantially all employees. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their salary up to the maximum allowed by law. Britepaths matches a portion of the employee contributions in an amount determined by the Board of Directors on an annual basis, currently one-half of the employee's contributions up to 6% of the employee's salary. Britepaths contributed \$20,981 and \$20,657 to the plan for the years ended June 30, 2023 and 2022, respectively.

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13. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure (i.e., without donor or other restrictions limiting use) within one year of the statement of statement of financial position date consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|---------------------|
| Cash and cash equivalents | \$ 685,071 | \$ 960,792 |
| Receivable for costs recoverable under government contracts | 8,105 | 398,733 |
| Government grant receivable | 20,908 | - |
| Accrued contract receivable | 90,000 | 76,240 |
| Non-government grants, contributions and other receivables | 55,627 | 36,585 |
| Loans receivable - clients | | |
| Total | 9,739 | 13,769 |
| Due after one year | <u>(4,000)</u> | <u>(6,000)</u> |
| | <u>\$ 865,450</u> | <u>\$ 1,480,119</u> |

Britepaths has a \$100,000 line of credit from a bank in effect through February 2024. The interest rate on funds borrowed is 1.5% over the prime interest rate, but not less than 6.0% per annum. Britepaths has not borrowed any funds under the agreement.

As part of its liquidity management plan, cash in excess of daily operating requirements is maintained in cash and cash equivalents and not invested.

14. FISCAL YEAR CHANGE

Effective January 1, 2021, Britepaths changed its fiscal year from the calendar year to July 1 - June 30.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2023, the date the financial statements were available to be issued.