

# **Pathways for Little Feet**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2024 and 2023

# Pathways for Little Feet

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## **Independent Auditors' Report**

To the Board of Directors of  
Pathways for Little Feet:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Pathways for Little Feet, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pathways for Little Feet as of December 31, 2024 and 2023, 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***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Pathways for Little Feet and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

*Blazek & Vetterling*

July 7, 2025

## Pathways for Little Feet

Statements of Financial Position as of December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 749,270	\$ 751,634
Cash restricted for loan program	391,320	424,206
Program loans receivable, net ( <i>Note 3</i> )	528,913	435,209
Contributions receivable	9,100	
Prepaid expenses		3,334
Software development costs	14,500	
Right to use property ( <i>Note 4</i> )	<u>280,000</u>	<u>280,000</u>
TOTAL ASSETS	<u>\$ 1,973,103</u>	<u>\$ 1,894,383</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 22,643</u>	<u>\$ 15,037</u>
Commitments ( <i>Note 5</i> )		
Net assets:		
Without donor restrictions	1,022,544	916,300
With donor restrictions ( <i>Note 6</i> )	<u>927,916</u>	<u>963,046</u>
Total net assets	<u>1,950,460</u>	<u>1,879,346</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,973,103</u>	<u>\$ 1,894,383</u>

See accompanying notes to financial statements.

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## Pathways for Little Feet

Statement of Activities for year ended December 31, 2024

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial contributions	\$ 272,390	\$ 162,013	\$ 434,403
Nonfinancial contributions <i>(Note 7)</i>	26,542		26,542
Special events:			
Financial contributions	443,773		443,773
Nonfinancial contributions <i>(Note 7)</i>	51,588		51,588
Direct donor benefit costs	(74,980)		(74,980)
Imputed interest on program loans receivable	27,809		27,809
Interest and other income	<u>8,249</u>	<u>12,082</u>	<u>20,331</u>
Total revenue	755,371	174,095	929,466
Net assets released from restrictions for program purposes	<u>209,225</u>	<u>(209,225)</u>	
Total	<u>964,596</u>	<u>(35,130)</u>	<u>929,466</u>
EXPENSES:			
Adoption assistance and orphan care programs	509,808		509,808
Management and general	199,653		199,653
Fundraising	<u>148,891</u>		<u>148,891</u>
Total expenses	<u>858,352</u>		<u>858,352</u>
CHANGES IN NET ASSETS	106,244	(35,130)	71,114
Net assets, beginning of year	<u>916,300</u>	<u>963,046</u>	<u>1,879,346</u>
Net assets, end of year	<u>\$ 1,022,544</u>	<u>\$ 927,916</u>	<u>\$ 1,950,460</u>

*See accompanying notes to financial statements.*

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## Pathways for Little Feet

Statement of Activities for year ended December 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial contributions	\$ 384,427	\$ 150,203	\$ 534,630
Nonfinancial contributions <i>(Note 7)</i>	26,542		26,542
Special events:			
Financial contributions	252,310		252,310
Nonfinancial contributions <i>(Note 7)</i>	86,438		86,438
Direct donor benefit costs	(108,732)		(108,732)
Imputed interest on program loans receivable	14,282		14,282
Interest and other income	<u>11,157</u>	<u>9,644</u>	<u>20,801</u>
Total revenue	666,424	159,847	826,271
Net assets released from restrictions for program purposes	<u>195,316</u>	<u>(195,316)</u>	
Total	<u>861,740</u>	<u>(35,469)</u>	<u>826,271</u>
EXPENSES:			
Adoption assistance and orphan care programs	405,411		405,411
Management and general	196,283		196,283
Fundraising	<u>187,257</u>		<u>187,257</u>
Total expenses	<u>788,951</u>		<u>788,951</u>
CHANGES IN NET ASSETS	72,789	(35,469)	37,320
Net assets, beginning of year	<u>843,511</u>	<u>998,515</u>	<u>1,842,026</u>
Net assets, end of year	<u>\$ 916,300</u>	<u>\$ 963,046</u>	<u>\$ 1,879,346</u>

*See accompanying notes to financial statements.*

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## Pathways for Little Feet

### Statements of Cash Flows for the years ended December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 71,114	\$ 37,320
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provision for credit losses on program loans receivable	11,362	6,136
Imputed interest on new program loans	(27,809)	(14,282)
Amortization of imputed interest on program loans	29,892	32,478
Changes in operating assets and liabilities:		
Contributions receivable	(9,100)	5,000
Other assets	3,334	(1,334)
Accounts payable and accrued expenses	<u>7,606</u>	<u>5,330</u>
Net cash provided by operating activities	<u>86,399</u>	<u>70,648</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Program loans advanced	(425,750)	(323,025)
Payments on program loans	318,601	245,915
Property purchases	<u>(14,500)</u>	<u>          </u>
Net cash used by investing activities	<u>(121,649)</u>	<u>(77,110)</u>
<b>NET CHANGE IN CASH</b>	<b>(35,250)</b>	<b>(6,462)</b>
Cash, beginning of year	<u>1,175,840</u>	<u>1,182,302</u>
Cash, end of year	<u>\$ 1,140,590</u>	<u>\$ 1,175,840</u>

*Reconciliation of cash reported in the statements of financial position to the statements of cash flows:*

Cash	\$ 749,270	\$ 751,634
Cash restricted for loan program	<u>391,320</u>	<u>424,206</u>
Total cash	<u>\$ 1,140,590</u>	<u>\$ 1,175,840</u>

*See accompanying notes to financial statements.*

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## Pathways for Little Feet

### Statements of Functional Expenses for the years ended December 31, 2024 and 2023

	ADOPTION ASSISTANCE AND ORPHAN CARE*	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL
Salaries	\$ 210,923	\$ 113,947	\$ 104,795	\$ 429,665
Grants and scholarships	205,316			205,316
Professional fees	16,299	54,563	3,758	74,620
Occupancy	20,912	11,298	10,390	42,600
Marketing and advertising	20,102	1,858	17,605	39,565
Supplies and other expenses	12,203	15,165	6,464	33,832
Meetings and special events	12,691	2,370	5,879	20,940
Provision for credit losses on program loans receivable	11,362			11,362
Printing and postage	<u>          </u>	<u>452</u>	<u>          </u>	<u>452</u>
Total expenses	<u>\$ 509,808</u>	<u>\$ 199,653</u>	<u>\$ 148,891</u>	858,352
Direct donor benefit costs				<u>74,980</u>
Total				<u>\$ 933,332</u>

	ADOPTION ASSISTANCE AND ORPHAN CARE*	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Salaries	\$ 191,847	\$ 90,019	\$ 129,557	\$ 411,423
Grants and scholarships	120,213			120,213
Professional fees	15,425	80,661		96,086
Occupancy	21,182	10,749	16,707	48,638
Marketing and advertising	20,990	2,495	23,693	47,178
Supplies and other expenses	10,355	11,386	8,576	30,317
Meetings and special events	19,091	885	6,082	26,058
Provision for credit losses on program loans receivable	6,136			6,136
Printing and postage	<u>172</u>	<u>88</u>	<u>2,642</u>	<u>2,902</u>
Total expenses	<u>\$ 405,411</u>	<u>\$ 196,283</u>	<u>\$ 187,257</u>	788,951
Direct donor benefit costs				<u>108,732</u>
Total				<u>\$ 897,683</u>

\*Program expenses for adoption assistance do not include the outflow of loans advanced of \$425,750 in 2024 and \$323,025 in 2023 (see Notes 1 and 8).

*See accompanying notes to financial statements.*

## Pathways for Little Feet

Notes to Financial Statements for the years ended December 31, 2024 and 2023

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Pathways for Little Feet (Pathways) was incorporated in 2008 as a Texas non-profit corporation. Pathways envisions a world where every child is a permanent member of a loving family. Pathways encourages adopting through financial assistance, education, and advocacy. Pathways' primary programs are:

- *Perpetual Family Fund loan program providing interest free loans to families to defray adoption costs.* As families pay back their loans, those funds are restricted for the purpose of new adoption loans. In 2024 and 2023, Pathways made new loans of \$425,750 and \$323,025, respectively. To date, Pathways' families have paid back over \$3.4 million in loans that have gone on to fund approximately 440 new adoptions.
- *Adoption and Counseling Grants* provide grants to defray adoption and counseling costs in instances where families are unable to reach the final financial goals needed to adopt a child.
- *Farms for Little Feet* launched in 2017, in partnership with Lifesong for Orphans (Lifesong), provides training and care to children who are aging out of traditional orphan care programs.
- *Post Adoption Placement Support* provides education and support services to post adoptive families.

Federal income tax status – Pathways is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Program loans receivable are reported at estimated net realizable value utilizing prevailing estimated market interest rates at the loan date. The discount is amortized using the effective interest rate method. Program loans receivable are recorded net of allowances for credit losses.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Right to use property is reported at cost and consists of a long-term right to use approximately 65 acres of land in the Ukraine.

Software development costs for internal use software which meet criteria for capitalization are reported at cost if purchased at and fair value at the date of gift if donated. Generally, additions with a cost of more than \$5,000 are capitalized. Amortization is provided on a straight-line basis over the estimated useful life of 3 to 5 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Pathways is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been substantially met.

Contributed materials, use of facilities and services (nonfinancial contributions) are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or when the service is provided. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue includes contributions and ticket sales arising from fundraising events and represent the amounts paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefit costs represent the costs of goods and services provided in exchange for the amount paid by event attendees.

Grants and scholarships are recognized as expense when Pathways approves an unconditional commitment which is accepted by a grant recipient. Unconditional commitments made but not yet funded are reported as grants payable. Conditional grants are recognized in the same manner when the conditions are met by the recipient. Conditional grants at December 31, 2024 and 2023 are \$70,000 and \$109,000, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy and supplies are allocated on the basis of square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Pathways relies on committed contributors and special events to provide funds for support of its programs. Pathways' liquidity policies set a goal of maintaining operating cash at a level to provide for 12 months of operating support. General expenditures exclude new program loans expected to be funded from the repayment of current loans and cash restricted for the family loan program. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 1,140,590	\$ 1,175,840
Less financial assets not available for general expenditure:		
Cash restricted for loan program	<u>(391,320)</u>	<u>(424,206)</u>
Total financial assets available for general expenditure	<u>\$ 749,270</u>	<u>\$ 751,634</u>

## NOTE 3 – PROGRAM LOANS RECEIVABLE

Program loans receivable primarily consist of zero-interest unsecured loans to families for child adoption costs and are payable in monthly installments over 2 to 18-year periods. Program loans receivable are discounted based on prevailing estimated market interest rates at the inception date of the loan.

Program loans receivable consist of the following:

	<u>2024</u>	<u>2023</u>
Program loans receivable, at face value	\$ 639,130	\$ 531,981
Less: Unamortized discount based on imputed interest at rates ranging from approximately 4.17% to 8.50%	(61,180)	(59,097)
Less: Allowance for credit losses on loans receivable	<u>(49,037)</u>	<u>(37,675)</u>
Program loans receivable, net	<u>\$ 528,913</u>	<u>\$ 435,209</u>

Program loans receivable are due as follows:

2025	\$ 219,947
2026	166,270
2027	105,608
2028	53,582
2029	28,370
2030	16,545
Thereafter	<u>48,808</u>
Total	<u>\$ 639,130</u>

Program loans receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Pathways separates program loans receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, Pathways develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Management applies these forecasts to create the following credit loss matrix to calculate the allowance for credit losses at December 31, 2024:

<u>PROGRAM LOANS RECEIVABLE POOL</u>	<u>AMORTIZED COST BASIS</u>	<u>HISTORIC LOSS RATE</u>	<u>EXPECTED CREDIT LOSS ALLOWANCE</u>
Category 1 (current and 1 year)	\$ 461,393	5.3%	\$ 24,470
Category 2 (2-5 years)	128,600	9.9%	12,731
Category 3 (thereafter)	<u>49,137</u>	24.1%	<u>11,836</u>
Total	<u>\$ 639,130</u>		<u>\$ 49,037</u>

Changes in the allowance for credit losses for the year ended December 31, 2024 are as follows:

Balance at December 31, 2022	\$ 31,539
Provisions	<u>6,136</u>
Balance at December 31, 2023	37,675
Provisions	<u>11,362</u>
Balance at December 31, 2024	<u>\$ 49,037</u>

#### **NOTE 4 – RIGHT TO USE PROPERTY AGREEMENT**

In 2017, as part of the Farms for Little Feet program, Pathways purchased, for \$280,000, a right to use 65 acres of land in the Ukraine for commercial farming from Lifesong, a U. S. based non-profit organization. Lifesong actively conducts and supports commercial farming operations in the Ukraine to benefit orphans by providing employment, training, and economic opportunities to children as they become independent young adults and is responsible for all farm operations. Under the purchase agreement, Pathways and Lifesong also have entered into a lease agreement which renews annually outlining Pathways' rights, title, and interest in the property. Under the agreement, Lifesong is required to operate the farm and pay all expenses. All proceeds from farm operations are to be used to further benefit the orphans in the Ukraine.

In 2022, Russia launched a military invasion of Ukraine. Despite sustained damage, the farm operations have continued. The invasion is ongoing, and it is unknown at this time how the invasion will ultimately impact the operations on the farm and the value of the right to use asset.

#### **NOTE 5 – COMMITMENTS**

Adoption loan commitments are made to eligible families subject to an application process. Loans are approved in advance of the adoption and loan funds are paid to the families within one month of the expectant mother's due date or one month from the date of final travel for international adoptions. At December 31, 2024, Pathways had committed to loans totaling \$186,000 that are expected to be disbursed to recipients in 2025. As these commitments are conditional, they have not been recognized in the accompanying financial statements at December 31, 2024.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Adoption loan program	\$ 924,943	\$ 869,414
Customer client management system	2,973	30,000
Post adoption placement support		51,063
Adoption grants		<u>12,569</u>
Total net assets with donor restrictions	<u>\$ 927,916</u>	<u>\$ 963,046</u>

**NOTE 7 – NONFINANCIAL CONTRIBUTIONS**

Contributed nonfinancial assets were recognized as follows:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR <u>2024</u>	FISCAL YEAR <u>2023</u>
Food for annual fundraising event donated by chefs	Utilized for fundraising event and included in direct donor benefit costs	None	Fair value estimated based on selling price of similar goods.	\$27,968	\$54,496
Donated services of leadership and administrative services	Utilized for program and supporting services	None	Fair value estimated based on comparable cost for similar services.	\$26,542	\$26,542
Donated auction items	Monetized at fundraising event	None	Valued using the auction price received.	\$23,620	\$31,942
Total contributed nonfinancial assets				<u>\$78,130</u>	<u>\$112,980</u>

The in-kind leadership and administrative services received in 2024 and 2023 were from an entity owned by a member of the Board of Directors.

## NOTE 8 – PROGRAM EXPENSES AND OUTFLOWS

Program expenses for adoption assistance and orphan care shown in the Statements of Functional Expenses do not include the outflow of loans advanced, as shown below:

	<u>2024</u>	<u>2023</u>
Program expenses	\$ 509,808	\$ 405,411
Program loan advance outflows	<u>425,750</u>	<u>323,025</u>
Total program expenses and loan outflows	<u>\$ 935,558</u>	<u>\$ 728,436</u>
Total expenses and loan outflows	\$1,284,102	\$1,111,976
Percentage of program expenses and loan outflows to total expenses and loan outflows	72.9%	65.5%

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 7, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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