

**PATHWAYS HIGH, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED**  
**JUNE 30, 2023 AND 2022**

**Pathways High, Inc.  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Pathways High, Inc.

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

#### ***Opinion***

We have audited the accompanying financial statements of Pathways High, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pathways High, 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***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pathways High, Inc. 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 opinions.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Pathways High, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

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

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

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

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### ***Auditor's 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 auditor's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and the University of Wisconsin-Milwaukee schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards and the University of Wisconsin-Milwaukee schedule are fairly stated, in all material respects, in relation to the 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 26, 2023, on our consideration of Pathways High, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pathways High, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pathways High, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin  
October 26, 2023

**Pathways High, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash	\$ 310,269	\$ 276,999
Grants receivable	78,798	19,526
Other receivables	-	129
Prepaid expenses	13,972	32,973
Total Current Assets	403,039	329,627
<b>Property and Equipment, Net</b>	1,608,226	1,611,224
<b>Other Assets</b>		
Right-of-use asset - finance lease, net	9,442	-
Total Assets	\$ 2,020,707	\$ 1,940,851

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 57,070	\$ 31,534
Accrued payroll and related liabilities	135,730	107,336
Accrued interest	1,644	1,644
Accrued expenses	-	20,396
Current portion of lease liability - finance lease	1,313	-
Current portion of mortgage payable	54,915	52,774
Total Current Liabilities	250,672	213,684
<b>Long-Term Debt</b>		
Lease liability - finance lease, less current portion	8,112	-
Mortgage payable, less current portion	799,998	854,662
Total Long-Term Liabilities	808,110	854,662
Total Liabilities	1,058,782	1,068,346
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	961,925	865,666
With donor restrictions	-	6,839
Total Net Assets	961,925	872,505
Total Liabilities and Net Assets	\$ 2,020,707	\$ 1,940,851

See notes to financial statements.

**Pathways High, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Government grants and contracts			
Charter school contract	\$ 1,324,752	\$ -	\$ 1,324,752
Special education grant	93,783	-	93,783
Government grants	570,784	-	570,784
Contributions	238,227	-	238,227
Special events	65,088	-	65,088
Less: Costs of direct benefits to donors	(6,566)	-	(6,566)
Miscellaneous	55,500	-	55,500
Interest	11	-	11
Net assets released from restrictions	6,839	(6,839)	-
Total Support and Revenues	2,348,418	(6,839)	2,341,579
<b>Expenses</b>			
Program services	1,641,058	-	1,641,058
Management and general	605,652	-	605,652
Fundraising	5,449	-	5,449
Total Expenses	2,252,159	-	2,252,159
Change in Net Assets	96,259	(6,839)	89,420
Net Assets at Beginning of Year	865,666	6,839	872,505
Net Assets at End of Year	\$ 961,925	\$ -	\$ 961,925

See notes to financial statements.

**Pathways High, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenues</b>			
Government grants and contracts			
Charter school contract	\$ 1,352,547	\$ -	\$ 1,352,547
Special education grant	89,895	-	89,895
Government grants	358,555	-	358,555
Contributions	207,605	6,839	214,444
Special events	40,000	-	40,000
Less: Costs of direct benefits to donors	(10,000)	-	(10,000)
Miscellaneous	18,084	-	18,084
Rental income	12,900	-	12,900
Interest	10	-	10
	<u>2,069,596</u>	<u>6,839</u>	<u>2,076,435</u>
<b>Expenses</b>			
Program services	1,369,688	-	1,369,688
Management and general	453,238	-	453,238
Fundraising	7,798	-	7,798
	<u>1,830,724</u>	<u>-</u>	<u>1,830,724</u>
Change in Net Assets	238,872	6,839	245,711
Net Assets at Beginning of Year	<u>626,794</u>	<u>-</u>	<u>626,794</u>
Net Assets at End of Year	<u>\$ 865,666</u>	<u>\$ 6,839</u>	<u>\$ 872,505</u>

See notes to financial statements.



**Pathways High, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<b>Supporting Services</b>				Total 6/30/23
	Program	Management and General	Fund- raising	Total	
Amortization of right-of use asset	\$ 192	\$ 118	\$ -	\$ 118	\$ 310
Athletics	5,102	-	-	-	5,102
Depreciation	36,627	22,482	-	22,482	59,109
Development events	-	-	3,945	3,945	3,945
Educational media and supplies	84,759	-	-	-	84,759
Employee benefits	137,136	29,938	-	29,938	167,074
Field trips and special events	47,436	-	-	-	47,436
Food expenses	53,900	-	-	-	53,900
Graduation	1,793	-	-	-	1,793
Insurance	27,478	3,053	-	3,053	30,531
Interest	39,161	-	-	-	39,161
License and fees	19,200	-	-	-	19,200
Occupancy	7,425	-	-	-	7,425
Office supplies	6,769	6,769	1,504	8,273	15,042
Parent services	35,385	-	-	-	35,385
Payroll taxes	58,620	36,806	-	36,806	95,426
Postage	1,561	173	-	173	1,734
Professional fees	32,920	16,282	-	16,282	49,202
Relocation and renovation	7,957	-	-	-	7,957
Repairs and maintenance	91,299	10,143	-	10,143	101,442
Salaries	770,552	472,982	-	472,982	1,243,534
School apparel	1,522	-	-	-	1,522
School culture	6,820	-	-	-	6,820
Special education	22,899	-	-	-	22,899
Student transportation	476	-	-	-	476
Technology	48,798	-	-	-	48,798
Telephone and internet	2,938	326	-	326	3,264
Training and seminars	33,113	-	-	-	33,113
Utilities	59,220	6,580	-	6,580	65,800
<b>Total Expenses</b>	<b>\$ 1,641,058</b>	<b>\$ 605,652</b>	<b>\$ 5,449</b>	<b>\$ 611,101</b>	<b>\$ 2,252,159</b>

See notes to financial statements.

**Pathways High, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	<b>Supporting Services</b>				Total 6/30/22
	Program	Management and General	Fund- raising	Total	
Athletics	\$ 3,975	\$ -	\$ -	\$ -	\$ 3,975
Depreciation	32,750	16,818	-	16,818	49,568
Development events	-	-	6,729	6,729	6,729
Educational media and supplies	78,046	-	-	-	78,046
Employee benefits	100,939	16,467	-	16,467	117,406
Field trips and special events	18,805	-	-	-	18,805
Food expenses	39,594	-	-	-	39,594
Graduation	3,689	-	-	-	3,689
Insurance	26,815	2,979	-	2,979	29,794
Interest	39,590	-	-	-	39,590
License and fees	18,541	-	-	-	18,541
Miscellaneous	-	38	-	38	38
Occupancy	4,851	-	-	-	4,851
Office supplies	4,808	4,808	1,069	5,877	10,685
Parent services	2,195	-	-	-	2,195
Payroll taxes	55,455	26,465	-	26,465	81,920
Postage	908	101	-	101	1,009
Professional fees	28,033	15,398	-	15,398	43,431
Relocation and renovation	9,118	-	-	-	9,118
Repairs and maintenance	91,983	10,219	-	10,219	102,202
Salaries	690,535	354,598	-	354,598	1,045,133
School culture	13,316	-	-	-	13,316
Special education	15,531	-	-	-	15,531
Technology	28,139	-	-	-	28,139
Telephone and internet	344	38	-	38	382
Training and seminars	13,950	-	-	-	13,950
Utilities	47,778	5,309	-	5,309	53,087
<b>Total Expenses</b>	<b>\$ 1,369,688</b>	<b>\$ 453,238</b>	<b>\$ 7,798</b>	<b>\$ 461,036</b>	<b>\$ 1,830,724</b>

See notes to financial statements.

**Pathways High, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 89,420	\$ 245,711
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,109	49,568
Amortization of right-of-use asset	310	-
Amortization - debt issuance costs	305	305
Changes in operating assets and liabilities:		
Grants receivable	(59,272)	14,963
Other receivables	129	224
Prepaid expenses	19,001	(5,694)
Accounts payable	25,536	(3,832)
Accrued payroll and related liabilities	28,394	(6,099)
Accrued expenses	(20,396)	20,396
	<u>142,536</u>	<u>315,542</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(56,112)</u>	<u>(147,763)</u>
Net Cash Used in Investing Activities	(56,112)	(147,763)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings - short term	200,000	155,000
Principal payments on lease liability	(326)	-
Principal payments - short term	(200,000)	(155,000)
Principal payments - mortgage payable	<u>(52,828)</u>	<u>(50,681)</u>
Net Cash Used in Financing Activities	<u>(53,154)</u>	<u>(50,681)</u>
Net Increase in Cash	33,270	117,098
Cash at Beginning of Year	<u>276,999</u>	<u>159,901</u>
Cash at End of Year	<u>\$ 310,269</u>	<u>\$ 276,999</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ 38,337</u>	<u>\$ 39,284</u>
<b>Noncash Investing and Financing Transaction</b>		
Right-of-use asset obtained in exchange for finance lease liability	<u>\$ 9,751</u>	<u>\$ -</u>

See notes to financial statements.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies**

Nature of Activities

Pathways High, Inc. (the “Organization”) is a non-profit, non-denominational and non-sectarian charter school open to all high school students in the greater Milwaukee area and operating under a contract with the University of Wisconsin-Milwaukee. Pathways High School provides diverse students with a learner focused, innovative structure for academic and holistic success through the implementation of a project-based learning model and a commitment to the development of individual traits and skills.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and the provisions of Accounting Standards update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities* which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and are available for use in carrying out the activities of the Organization.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and Organization grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases 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 statements of activities.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

Functional Expense Allocation

The costs of providing the program and supporting service activities have been summarized on a functional basis in the statement of activities. Some of these costs have been directly charged to the activities whereas other expenses that are attributable to both program and supporting services require allocation on a reasonable basis that is consistently applied. Management and general costs are allocated based on estimates of time and effort.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions in checking and savings accounts.

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2023 or 2022.

Grants Receivable

Grants receivable includes amounts for revenue from grants earned, but not yet received, as of year-end. No allowance for doubtful accounts is considered necessary as of June 30, 2023 and 2022. If amounts become uncollectible, they are charged to operations in the period in which that determination is made.

Property and Equipment

All property and equipment acquisitions in excess of \$5,000 are capitalized, whereas costs of maintenance and repair are charged to expense as incurred. Purchased property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Donated capitalized property is recorded at the estimated fair value at the date of donation.

Revenue Recognition

The Organization recognizes revenue from exchange transactions when the service is performed. Revenue from performance obligations satisfied at a point in time consists of the following:

Rent revenue is recognized in the month in which it is earned rather than received. Rent payments received in advance are deferred until earned.

Revenue from non-exchange transactions consist of the following:

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. Conditional contributions are recognized when all barriers to entitlement are overcome. Unconditional contributions are recognized as revenue when received or promised.

Contributions received with donor-imposed or grantor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions. All other donor-restricted or grantor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue includes contributions (non-exchange) for the events and fees charged (exchange) to participants. The cost of direct benefits to donors are deducted to arrive at net special event revenue.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

Grants and government contracts are recorded as contributions or exchange transactions as determined by the criteria in the contract or grant award. Those that are considered contributions are recognized as revenue in the period when the related expenses are incurred or as the contribution is received. Amounts received in which conditions have not been met are reported as a refundable advance liability. Grants and contracts that are considered exchange transactions are recognized as revenue in the period the service is performed.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with fundraising campaigns and program services.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation.

The Organization follows accounting for uncertainty in income taxes which describes a recognition and measurement of a tax position taken or expected to be taken and also provides guidance on derecognition, interest and penalties, and disclosure. Management has reviewed all tax positions taken, if any, and those expected to be taken in future tax returns. As of June 30, 2023 and 2022, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

The Organization is not subject to U.S. federal income tax examinations for years ending before June 30, 2020.

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions to the lease beginning in May 2023.

**Note 2 - Prior Period Adjustments**

During the audit, additional prepaids were found which resulted in entries being made to increase prepaid expenses and decrease expenses by \$14,074 for the year ended June 30, 2022.

Also, accrued expenses were found which resulted in entries being made to increase accrued expenses by \$20,396, increase construction in progress by \$16,680, and increase expenses by \$3,716 for the year ended June 30, 2022.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 3 - Property and Equipment**

Property and equipment consists of the following:

	2023	2022
Land	\$ 33,485	\$ 33,485
Land improvements	39,755	39,755
Building and improvements	1,566,174	1,532,152
Construction in progress	65,764	43,675
Computer software	31,485	31,485
Fixtures, furniture and equipment	43,801	43,801
	1,780,464	1,724,353
Less: accumulated depreciation	(172,238)	(113,129)
Net Property and Equipment	\$ 1,608,226	\$ 1,611,224

**Note 4 - Line of Credit**

As of June 30, 2023 and 2022, the Organization has available a line of credit from Old National Bank in the amount of \$100,000. Interest is paid monthly at the Prime Rate as published in the Wall Street Journal, but not less than 3.25% per annum. The line of credit expires in December of 2023. As of June 30, 2023 and 2022, no balance existed on the line of credit. This is secured by a commercial security agreement.

**Note 5 - Finance Lease**

The Organization has a finance lease for office equipment. The lease has a remaining lease term of 5 years with no extension or termination options. The following summarizes the line items in the statements of financial position which include amounts for the finance lease as of June 30:

	2023
Right-of-use-asset - Finance Lease, net	\$ 9,442
Lease Liability - Finance Lease	\$ 9,425

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2023
Weighted Average Remaining Lease Term	5 years
Weighted Average Discount Rate	15.745%

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 5 - Finance Lease (continued)**

The maturities of the lease liability as of June 30, 2023 are as follows:

	Year Ending June 30,	Amount
	2024	\$ 2,706
	2025	2,706
	2026	2,706
	2027	2,706
	2028	2,706
	Thereafter	223
Total lease payments		13,753
Less: Interest		(4,328)
Present value of lease liabilities		\$ 9,425

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2023:

	2023
Interest expense	\$ 125
Amortization of right-of-use asset	\$ 310

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from finance lease	\$ 326
Right-of-use asset obtained in exchange for finance lease liability	\$ 9,751



**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 6 - Mortgage Payable**

The Organization has a commercial real estate loan with Old National Bank for the purpose of financing the property and improvements for the charter school building. The loan has a term of five years and interest rate of 4.10%. Interest-only payments were made during construction, principal and interest payments of \$7,477 began in October 2020. The loan matures in September 2025 and is secured by a first priority real estate mortgage on the land, building, and improvements. The note is personally guaranteed by two board members. The mortgage payable consists of the following:

	2023	2022
Mortgage payable - Old National Bank	\$ 858,552	\$ 911,381
Less: Unamortized debt issuance costs	(3,639)	(3,945)
Less: Current portion	(54,915)	(52,774)
Net mortgage payable	\$ 799,998	\$ 854,662

The future scheduled maturity of the mortgage payable is as follows:

Year Ending	Amount
6/30	
2024	\$ 54,915
2025	57,337
2026	746,300
Thereafter	-
Total	\$ 858,552

**Note 7 - Net Assets With Donor Restrictions**

At June 30, 2023, there are no net assets with donor restrictions. At June 30, 2022, net assets with donor restrictions of \$6,839 is designated for the Book Study program.

**Note 8 - Liquidity and Availability**

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash for approximately one month of operating expenses. The Organization can rely on a lower cash balance as it is funded through quarterly allocation of per pupil aid and cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred an organization can request reimbursement from the funding source. The Organization also has established a line of credit of \$100,000 which it can draw upon in the event of a liquidity need.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 8 - Liquidity and Availability (continued)**

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2023 and 2022:

	2023	2022
Cash	\$ 310,269	\$ 276,999
Grants receivable	78,798	19,526
Other receivables	-	129
Subtotal financial assets	389,067	296,654
Less contributions with donor restrictions	-	(6,839)
Financial assets available to meet general expenditures within one year	\$ 389,067	\$ 289,815

**Note 9 - Retirement Plan**

The Organization has a 403(b) retirement plan for all employees that work 20 hours or more per week and after a full year of employment. The Organization can match up to 2% of the employee's total compensation as defined by the plan document. The contribution will be made in the summer following a completed school year of employment. The total contributed by the Organization during the year ended June 30, 2023 and 2022 was \$12,364 and \$10,972, respectively.

**Note 10 - Concentration of Cash**

The Organization maintains depository relationships with Old National Bank, and the Organization's balances at times exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At June 30, 2023 and 2022 the Organization's uninsured cash balances totaled \$67,908 and \$72,063, respectively.

**Note 11 - Concentration of Revenues**

During the years ended June 30, 2023 and 2022, the Organization received 84% and 86% of its total support and revenue from its charter school contracts with the State of Wisconsin Department of Public Instruction.

**Pathways High, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note 12 - Conditional Grants**

Certain grants may be considered conditional contributions upon which the revenue is recorded as the allowable qualifying expenses are incurred. For the years ended June 30, 2023 and 2022, the conditional grants are as follows:

	2023	2022
Conditional grant amount	\$ 1,090,530	\$ 1,090,530
Previously recognized	(3,000)	-
Currently recognized	(388,288)	(3,000)
Total remaining conditional balance	\$ 699,242	\$ 1,087,530

**Note 13 - Subsequent Events**

The Organization has reviewed the results of operations for the period of time from its year ended June 30, 2023 through October 26, 2023, the date which the financial statements were available to be issued.

**Pathways High, Inc.**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2023**

<u>Grantor/ Pass-through Grantor/ Cluster or Program Title</u>	<u>Federal CFDA/ State ID Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued (Deferred) Revenue 7/1/22</u>	<u>Cash Received</u>	<u>Federal and State Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/23</u>
<b><u>U.S. Department of Agriculture</u></b>						
Wisconsin Department of Public Instruction						
<i>Child Nutrition Cluster</i>						
<i>School Breakfast Program</i>						
	10.553	2023-408017-DPI-SB-SEVERE-546	\$ 91	\$ 5,009	\$ 5,113	\$ 195
<i>National School Lunch Program</i>						
	10.555	2023-408017-DPI-NSL-547	1,095	59,663	59,979	1,411
	10.555	-	-	2,682	2,682	-
		Total Child Nutrition Cluster	<u>1,186</u>	<u>67,354</u>	<u>67,774</u>	<u>1,606</u>
		Total U.S. Department of Agriculture	<u>1,186</u>	<u>67,354</u>	<u>67,774</u>	<u>1,606</u>
<b><u>U.S. Department of Treasury</u></b>						
Wisconsin Department of Public Instruction						
<i>Coronavirus State and Local Fiscal Recovery Funds</i>						
	21.027	408139	-	13,399	13,399	-
		Total U.S. Department of Treasury	<u>-</u>	<u>13,399</u>	<u>13,399</u>	<u>-</u>
<b><u>U.S. Department of Education</u></b>						
Wisconsin Department of Public Instruction						
<i>Title I Grants to Local Educational Agencies</i>						
	84.010	2023-408017-DPI-TI-A-141	-	65,956	65,956	-
<i>Special Education Cluster (IDEA)</i>						
	84.027	2023-408017-DPI-FLOW-341	-	42,790	42,790	-
		Total Special Education Cluster (IDEA)	<u>-</u>	<u>108,746</u>	<u>108,746</u>	<u>-</u>
Wisconsin Department of Public Instruction						
<i>Charter Schools</i>						
	84.282	2023-408017-DPI-WCSP1-360	-	120,233	150,000	29,767
<i>Supporting Effective Instruction State Grant</i>						
	84.367	2023-408017-DPI-TIIA-365	-	8,590	8,590	-
<i>Student Support and Academic Enrichment Grants</i>						
	84.424	2023-408017-DPI-TIVA-381	-	6,720	10,000	3,280
<i>COVID-19 - Elementary Secondary School Emergency Relief - II &amp; III</i>						
	84.425D	2022-408139-DPI-ESSERFII-163	18,340	215,314	235,901	38,927
		Total U.S. Department of Education	<u>18,340</u>	<u>459,603</u>	<u>513,237</u>	<u>71,974</u>
		Total Expenditures of Federal Awards	<u>\$ 19,526</u>	<u>\$ 540,356</u>	<u>\$ 594,410</u>	<u>\$ 73,580</u>
<b><u>State of Wisconsin</u></b>						
Wisconsin Department of Public Instruction						
<i>Special Ed and School Age Parents</i>						
	255.101	408017-100	\$ -	\$ 50,993	\$ 50,993	\$ -
<i>State School Lunch Aid</i>						
	255.102	408017-107	-	422	422	-
<i>Charter School State Aid-2r</i>						
	255.109	408017-115	-	1,324,752	1,324,752	-
<i>Early College Credit Program</i>						
	255.445	408017-178	-	-	5,218	5,218
<i>Educator Effective Eval Sys Grants Public</i>						
	255.940	408017 & 408139-154	-	2,160	2,160	-
		Total Wisconsin Department of Public Instruction	<u>-</u>	<u>1,378,327</u>	<u>1,383,545</u>	<u>5,218</u>
		Total Expenditures of State Awards	<u>\$ -</u>	<u>\$ 1,378,327</u>	<u>\$ 1,383,545</u>	<u>\$ 5,218</u>

See notes to schedule of expenditures of federal and state awards.

**Pathways High, Inc.**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2023**

*Note A - Basis of Presentation*

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Pathways High, Inc. under programs of the federal and state government for the year ended June 30, 2023. Because the Schedule presents only a selected portion of the operations of Pathways High, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pathways High, Inc.

*Note B - Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting.



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*

To the Board of Directors of  
Pathways High, Inc.

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 financial statements of Pathways High, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pathways High, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pathways High, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pathways High, Inc.'s internal control.

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

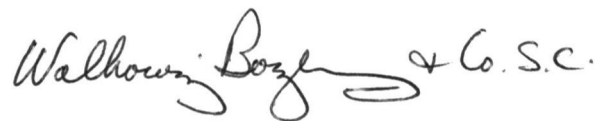
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin  
October 26, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR STATE PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

To the Board of Directors of  
Pathways High, Inc.

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited Pathways High, Inc.'s compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of Pathways High, Inc.'s major state programs for the year ended June 30, 2023. Pathways High, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pathways High, Inc. 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 state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

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 compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Our responsibilities under those standards and compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pathways High, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Pathways High, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pathways High, Inc.'s state programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pathways High, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the *Wisconsin Public School District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pathways High, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the *Wisconsin Public School District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pathways High, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pathways High, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of Pathways High, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

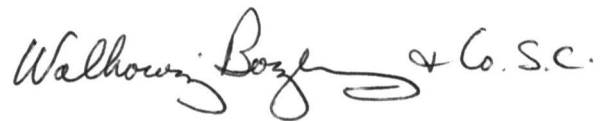
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Walhoun Boyer & Co. S.C." followed by a stylized flourish.

Waukesha, Wisconsin  
October 26, 2023

**Pathways High, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

The prior year audit disclosed no findings.

**Pathways High, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**A. Summary of Auditor's Results**

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued?                    | Unmodified    |
| 2. Internal control over financial reporting:          |               |
| a. Material weakness(es) identified?                   | No            |
| b. Significant deficiency (ies) identified?            | None reported |
| 3. Noncompliance material to the financial statements? | No            |

State Awards

- |  |               |
|--|---------------|
| 4. Internal control over state major programs:   |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency (ies) identified?  | None reported |
| 5. Type of auditor's report issued on compliance for major state programs:   | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ? | No            |
| 7. Identification of major state programs:   |               |
| Charter School State Aid   | 255.109       |
| Special Education and School Age Parents   | 255.101       |

Dollar threshold used to distinguish between type A and type B programs: \$250,000

**B. Financial Statement Findings** No matters were reported

**C. Federal and State Award Findings and Questioned Costs** No matters were reported

**D. Other issues**

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No
  
2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Wisconsin Public School District Audit Manual* :  
Department of Public Instruction No
  
3. Was a Management letter or other document conveying audit comments issued as a result of this audit? No

4. Name and signature of partner

Valerie A. Boykiewicz CPA

5. Date of report

October 26, 2023

**Pathways High, Inc.**  
**Required Supplementary Information**  
**University of Wisconsin-Milwaukee**  
**Year Ended June 30, 2023**

9.0 FINANCIAL RESULTS

9.1 Total Revenue

CATEGORY	TOTAL	PER PUPIL
State per Pupil Aid	\$1,324,752	\$9,200
Special Education	\$93,783	\$651
Federal Funds (see below)	\$562,984	\$3,910
Grants	\$7,800	\$54
Donations From Sponsor	\$0	\$0
Other Donations	\$238,227	\$1,654
Other Revenue	\$114,033	\$792
<b>Total</b>	<b>\$2,341,579</b>	<b>\$16,261</b>

9.2 Federal Revenue (Break Out)

CATEGORY	TOTAL	PER PUPIL
Title I	\$65,956	\$458
Title II	\$8,590	\$60
Title III	\$0	\$0
Title IV	\$10,000	\$69
Title V	\$0	\$0
Title VI	\$0	\$0
Other Federal Funds	\$410,660	\$2,852
USDA - Federal Student Lunch	\$67,778	\$471
<b>Total</b>	<b>\$562,984</b>	<b>\$3,910</b>

9.3 Total Expenditures

CATEGORY	TOTAL	PER PUPIL
Instruction	\$1,017,358	\$7,065
Instructional Support	\$186,095	\$1,292
Pupil Services	\$122,794	\$853
Administration	\$645,158	\$4,480
Board*	\$0	\$0
Facilities	\$221,662	\$1,539
Contracted Services	\$0	\$0
Debt Service	\$0	\$0
Other Expenditures	\$59,109	\$410
<b>Total</b>	<b>\$2,252,176</b>	<b>\$15,639</b>

Total Net Assets

	July 1 (Current Year)	June 30 (Current Year)	Difference	Cumulative Total Net Assets
Total Net Assets	\$ 872,505	\$ 961,908	\$ 89,403	\$ 961,908