

PATHWAYS HIGH, INC.
FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2021 AND 2020

Pathways High, Inc.
Table of Contents

Years Ended June 30, 2021 and 2020

	<u>Page(s)</u>
Independent Auditor’s Report.....	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-14
Supplementary Information	
Schedule of Expenditures of Federal and State Awards.....	15
Notes to Schedule of Expenditures of Federal and State Awards	16
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
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.....	19-20
Summary Schedule of Prior Audit Findings	21
Schedule of Findings and Questioned Costs.....	22-23
Required Supplementary Information - University of Wisconsin-Milwaukee	24



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pathways High, Inc.

Report on the Financial Statements

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways High, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The required supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is also 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 information is 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, 2021, 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.



Waukesha, Wisconsin
October 26, 2021

Pathways High, Inc.
Statements of Financial Position
June 30, 2021 and 2020

Assets		
	2021	2020
Current Assets		
Cash	\$ 159,901	\$ 547,241
Grants receivable	34,489	-
Other receivables	353	-
Prepaid expenses	27,279	7,987
Total Current Assets	222,022	555,228
Property and Equipment, Net	1,513,029	668,707
Other Assets		
Security deposit	-	4,000
Total Assets	\$ 1,735,051	\$ 1,227,935
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 35,366	\$ 18,460
Accrued wages and benefits	113,435	98,345
Accrued interest	1,644	-
Current portion of long-term debt	50,629	-
Total Current Liabilities	201,074	116,805
Long-Term Debt, Less Current Portion	907,183	475,444
Total Liabilities	1,108,257	592,249
Net Assets		
Without donor restrictions		
Undesignated	626,794	635,686
Total Net Assets	626,794	635,686
Total Liabilities and Net Assets	\$ 1,735,051	\$ 1,227,935

See notes to financial statements.

Pathways High, Inc.
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grants and contracts			
Charter school contract	\$ 1,200,615	\$ -	\$ 1,200,615
Special education grant	54,873	-	54,873
Government grants	325,738	-	325,738
Contributions	167,898	-	167,898
In-kind contributions	5,000	-	5,000
Miscellaneous	22,181	-	22,181
Interest	6	-	6
Total Support and Revenues	1,776,311	-	1,776,311
Expenses			
Program services	1,303,167	-	1,303,167
Management and general	481,295	-	481,295
Fundraising	741	-	741
Total Expenses	1,785,203	-	1,785,203
Change in Net Assets	(8,892)	-	(8,892)
Net Assets at Beginning of Year	635,686	-	635,686
Net Assets at End of Year	\$ 626,794	\$ -	\$ 626,794

See notes to financial statements.

Pathways High, Inc.
Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Government grants and contracts			
Charter school contract	\$ 989,121	\$ -	\$ 989,121
Special education grant	35,706	-	35,706
Government grants	262,447	-	262,447
Contributions	341,469	-	341,469
Miscellaneous	12,098	-	12,098
Interest	39	-	39
PPP loan forgiveness	191,373	-	191,373
Net assets released from restrictions	30,000	(30,000)	-
	<u>1,862,253</u>	<u>(30,000)</u>	<u>1,832,253</u>
Expenses			
Program services	1,092,141	-	1,092,141
Management and general	414,766	-	414,766
Fundraising	5,923	-	5,923
	<u>1,512,830</u>	<u>-</u>	<u>1,512,830</u>
Change in Net Assets	349,423	(30,000)	319,423
Net Assets at Beginning of Year	<u>286,263</u>	<u>30,000</u>	<u>316,263</u>
Net Assets at End of Year	<u>\$ 635,686</u>	<u>\$ -</u>	<u>\$ 635,686</u>

See notes to financial statements.

Pathways High, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Supporting Services				Total 6/30/21
	Program	Management and General	Fund- raising	Total	
Athletics	\$ 5,702	\$ -	\$ -	\$ -	\$ 5,702
Depreciation	20,144	10,800	-	10,800	30,944
Development events	-	-	47	47	47
Educational media and supplies	47,062	-	-	-	47,062
Employee benefits	59,190	14,762	-	14,762	73,952
Field trips and special events	5,001	-	-	-	5,001
Food expenses	5,350	-	-	-	5,350
Graduation	3,494	-	-	-	3,494
Insurance	24,622	2,736	-	2,736	27,358
Interest	37,496	-	-	-	37,496
License and fees	14,935	-	-	-	14,935
Loss on disposal of assets	34,279	18,379	-	18,379	52,658
Miscellaneous	-	71	-	71	71
Occupancy	7,189	226	-	226	7,415
Office supplies	3,125	3,125	694	3,819	6,944
Parent services	405	-	-	-	405
Payroll taxes	56,649	27,443	-	27,443	84,092
Postage	726	81	-	81	807
Professional fees	22,482	29,548	-	29,548	52,030
Relocation and renovation	39,544	-	-	-	39,544
Repairs and maintenance	76,060	8,451	-	8,451	84,511
Salaries	673,470	361,096	-	361,096	1,034,566
Scholar incentives	47	-	-	-	47
School culture	3,736	-	-	-	3,736
Special education	22,487	-	-	-	22,487
Technology	67,150	-	-	-	67,150
Telephone and internet	5,808	645	-	645	6,453
Training and seminars	31,623	-	-	-	31,623
Utilities	35,391	3,932	-	3,932	39,323
Total Expenses	\$ 1,303,167	\$ 481,295	\$ 741	\$ 482,036	\$ 1,785,203

See notes to financial statements.

Pathways High, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Supporting Services				Total 6/30/20
	Program	Management and General	Fund- raising	Total	
Assessment services	\$ 1,126	\$ -	\$ -	\$ -	\$ 1,126
Athletics	1,480	-	-	-	1,480
Depreciation	9,915	5,883	-	5,883	15,798
Development events	-	-	5,393	5,393	5,393
Educational media and supplies	55,116	-	-	-	55,116
Employee benefits	52,110	13,400	-	13,400	65,510
Field trips and special events	14,266	-	-	-	14,266
Food expenses	25,914	-	-	-	25,914
Insurance	11,489	1,277	-	1,277	12,766
Interest	25	-	-	-	25
License and fees	12,474	-	-	-	12,474
Occupancy	57,731	1,970	-	1,970	59,701
Office supplies	2,387	2,387	530	2,917	5,304
Parent services	18,589	-	-	-	18,589
Payroll taxes	49,841	27,481	-	27,481	77,322
Postage	775	86	-	86	861
Professional fees	34,868	17,082	-	17,082	51,950
Relocation and renovation	7,049	-	-	-	7,049
Repairs and maintenance	47,236	5,248	-	5,248	52,484
Salaries	573,825	338,161	-	338,161	911,986
Scholar incentives	2,956	-	-	-	2,956
Special education	17,437	-	-	-	17,437
Technology	32,620	-	-	-	32,620
Telephone and internet	2,910	323	-	323	3,233
Training and seminars	46,788	-	-	-	46,788
Utilities	13,214	1,468	-	1,468	14,682
Total Expenses	\$ 1,092,141	\$ 414,766	\$ 5,923	\$ 420,689	\$ 1,512,830

See notes to financial statements.

Pathways High, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (8,892)	\$ 316,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,944	15,798
Amortization - debt issuance costs	305	25
Loss on disposal of assets	52,658	-
Changes in operating assets and liabilities:		
Grants receivable	(34,489)	63,261
Other receivables	(353)	-
Prepaid expenses	(19,292)	(994)
Security deposit	4,000	-
Accounts payable	16,906	17,525
Accrued wages and benefits	15,090	40,739
Accrued interest	1,644	-
	<u>58,521</u>	<u>453,311</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(927,923)</u>	<u>(141,762)</u>
Net Cash Used in Investing Activities	<u>(927,923)</u>	<u>(141,762)</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	<u>482,062</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>482,062</u>	<u>-</u>
Net Increase (Decrease) in Cash	(387,340)	311,549
Cash at Beginning of Year	<u>547,241</u>	<u>235,692</u>
Cash at End of Year	<u>\$ 159,901</u>	<u>\$ 547,241</u>
Supplemental Disclosures		
Interest paid	<u>\$ 35,547</u>	<u>\$ -</u>
Noncash Investing and Financing Transaction		
Financed acquisition of land and building	<u>\$ -</u>	<u>\$ 480,000</u>

See notes to financial statements.

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

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, 2021 and 2020

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, 2021 or 2020.

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, 2021 and 2020. 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

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.

Grants are recorded as contributions or exchange transactions as determined by the criteria in the grant award. Grants that are 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 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.

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, 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, 2018.

New Accounting Pronouncement

Due to the Financial Accounting Standards Board's (FASB) issuance of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued updates, the Organization has adopted the changes in the new guidance. The new guidance establishes principles for an organization regarding the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization is entitled to in exchange for those goods or services. The Organization implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. This has been applied retrospectively to all periods presented, with no effect on net assets.

Note 2 - Prior Period Adjustment

During the audit, it was discovered that the payroll accrual was overstated which resulted in entries being made to increase previously reported net assets. The unrestricted net assets as of June 30, 2019 were increased by \$28,930. Accrued payroll was also reduced in the amount of \$31,396 for the year ended June 30, 2020. These adjustments resulted in decreased expenses of \$2,466 during the year ended June 30, 2020.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	2021	2020
Land	\$ 33,485	\$ 33,485
Land improvements	39,755	-
Building	1,414,519	567,445
Construction in progress	13,545	16,251
Leasehold improvements	-	44,827
Computer software	31,485	31,485
Fixtures, furniture and equipment	43,801	15,000
	1,576,590	708,493
Less: accumulated depreciation	(63,561)	(39,786)
Net Property and Equipment	\$ 1,513,029	\$ 668,707

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 4 - SBA PPP Loan

On April 29, 2020, the Organization received loan proceeds in the amount of \$191,373 under the Paycheck Protection Program (“PPP”), which was established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, certain employee benefits, rent, and utilities, with not more than 40% of the forgiven amount being used for non-payroll costs. The amount of loan forgiveness will also be reduced if the borrower does not maintain its payroll levels or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with payments beginning after the SBA deferral period.

At June 30, 2020, the Organization chose to account for the funds pursuant to ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The Organization used the proceeds for purposes consistent with the PPP guidelines and the entire loan amount was forgiven on November 11, 2020.

Note 5 - Long-Term Debt

During the fiscal year ended June 30, 2020, the Organization secured a commercial real estate loan with First Midwest Bank for the purpose of financing the property and improvements for the new charter school building. The available loan is \$1,000,000 with a term of five years and interest rate of 4.10%. At June 30, 2021 and 2020, \$962,062 and \$480,000 had been drawn on the note. Interest-only payments were due on the loan from inception through September 2020 with principal and interest payments of \$7,477 beginning 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:

	2021	2020
Mortgage payable - First Midwest Bank	\$ 962,062	\$ 480,000
Less: Unamortized debt issuance costs	(4,250)	(4,556)
Less: Current portion	(50,629)	-
Net mortgage payable	\$ 907,183	\$ 475,444

The future scheduled maturity of long-term debt is as follows:

Year Ending 6/30	Amount
2022	\$ 50,629
2023	52,774
2024	54,915
2025	57,337
2026	746,407
Thereafter	-
Total	\$ 962,062

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2021 and 2020

Note 6 - 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. As described in Note 12, in August 2021 the Organization also established a line of credit of \$100,000 which it can draw upon in the event of a liquidity need.

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, 2021 and 2020:

	2021	2020
Cash	\$ 159,901	\$ 547,241
Grants receivable	34,489	-
Other receivables	353	-
 Financial assets available to meet general expenditures within one year	 \$ 194,743	 \$ 547,241

Note 7 - Retirement Plan

The Organization has a 403(b) retirement plan for all employees who are full-time (35 hours or more per week for eight consecutive months of a year). The Organization can match up to 5% of salary (all compensation excluding Merit Pay) after the first calendar year in which an employee earns at least \$5,000. The employee must be currently employed at the time of the match in order to be eligible. The Organization did not contribute during the years ended June 30, 2021 and 2020.

Note 8 - Lease Commitment

The Organization had an operating lease for its building which expired June 30, 2020 and continued as a month-to-month lease. In July 2020, the Organization relocated to its' new building. The rental expense for the year ended June 30, 2021 and 2020 was \$2,260 and \$19,703, respectively.

Note 9 - Concentration of Cash

The Organization maintains depository relationships with Park Bank, and the Organization's balances at times exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At June 30, 2020 the Organization's uninsured cash balances totaled \$313,628. At June 30, 2021 there were no uninsured cash balances.

Note 10 - Concentration of Revenues

During the years ended June 30, 2021 and 2020, the Organization received 89% and 70% 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, 2021 and 2020

Note 11 - Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2021.

Note 12 - Subsequent Events

The Organization has reviewed the results of operations for the period of time from its year ended June 30, 2021 through October 26, 2021, the date which the financial statements were available to be issued.

In August, 2021, the Organization established a line of credit of \$100,000.

Pathways High, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	Federal CFDA/ State ID Number	Pass-Through Entity Identifying Number	Accrued (Deferred) Revenue 7/1/2020	Cash Received	Federal and State Expenditures	Accrued (Deferred) Revenue 6/30/21
<u>U.S. Department of Agriculture</u>						
Wisconsin Department of Public Instruction						
<i>Child Nutrition Cluster</i>						
<i>School Breakfast Program</i>						
	10.553	2021-408139-DPI-SB-SEVERE-546	\$ -	\$ 631	\$ 631	\$ -
<i>National School Lunch Program</i>						
	10.555	2021-408139-DPI-NSL-547	-	2,495	2,495	-
	10.555	-	-	2,151	2,151	-
		Total Child Nutrition Cluster	-	5,277	5,277	-
		Total U.S. Department of Agriculture	-	5,277	5,277	-
<u>U.S. Department of Education</u>						
Wisconsin Department of Public Instruction						
<i>Title I Grants to Local Educational Agencies</i>						
	84.010	2021-408139-TIA-141	-	46,724	46,724	-
<i>Special Education Cluster (IDEA)</i>						
	84.027	2021-408139-DPI-IDEA-F-341	-	21,787	22,987	1,200
		Total Special Education Cluster (IDEA)	-	68,511	69,711	1,200
Wisconsin Department of Public Instruction						
<i>Charter Schools</i>						
	84.282	2021-408139-DPI-WCSP1-360	-	171,150	171,150	-
<i>Supporting Effective Instruction State Grant</i>						
	84.367	2021-408139-TIIA-365	-	2,728	4,728	2,000
<i>Student Support and Academic Enrichment Grants</i>						
	84.424	2021-408139-TIV-A-DPI-381	-	10,000	10,000	-
<i>COVID-19 - Governor's Emergency Education Relief Fund</i>						
	84.425C	2021-408139-DPI-GEERF-162	-	16,087	16,087	-
<i>COVID-19 - Elementary Secondary School Emergency Relief</i>						
	84.425D	2021-408139-DPI-ESSERF-160	-	40,000	40,000	-
<i>COVID-19 - Elementary Secondary School Emergency Relief - II</i>						
	84.425D	2021-408139-DPI-ESSERF-160	-	-	31,289	31,289
		Total U.S. Department of Education	-	308,476	342,965	34,489
		Total Expenditures of Federal Awards	\$ -	\$ 313,753	\$ 348,242	\$ 34,489
<u>State of Wisconsin</u>						
Wisconsin Department of Public Instruction						
<i>Special Ed and School Age Parents</i>						
	255.101	408139	\$ -	\$ 30,757	\$ 30,757	\$ -
<i>State School Lunch Aid</i>						
	255.102	408139	-	356	356	-
<i>Charter School State Aid-2r</i>						
	255.109	408139	-	1,200,615	1,200,615	-
<i>Educator Effective Eval Sys Grants Public</i>						
	255.940	408139	-	-	1,120	1,120
<i>Special Education Transition Incentive Grant</i>						
	255.960	408139	-	1,000	1,000	-
<i>Cooperative Educational Service Agency</i>						
<i>Special Ed and School Age Parents</i>						
	255.101	-	-	129	129	-
		Total Wisconsin Department of Public Instruction	-	1,232,857	1,233,977	1,120
		Total Expenditures of State Awards	\$ -	\$ 1,232,857	\$ 1,233,977	\$ 1,120

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, 2021

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, 2021. 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, 2021, 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, 2021.

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 may exist that have not been identified.

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.".

Waukesha, Wisconsin
October 26, 2021



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

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, 2021. Pathways High, Inc.'s major state programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pathways High, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state programs occurred. An audit includes examining, on a test basis, evidence about Pathways High, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on Pathways High, Inc.'s compliance.

Opinion on Each Major State Program

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, 2021.

1800 East Main Street, Suite 100
Waukesha, Wisconsin 53186-3984
P: 262.548.0444 F: 262.548.0935
www.wbcosc.com

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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



Waukesha, Wisconsin
October 26, 2021

Pathways High, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

The prior year audit disclosed no findings.

Pathways High, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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 identified not considered to be material weaknesses? | 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? | No |
| 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 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, reportable condition, 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? Yes

4. Name and signature of partner

Valerie A. Boylston CPA

5. Date of report

October 26, 2021

Pathways High, Inc.
Required Supplementary Information
University of Wisconsin-Milwaukee
Year Ended June 30, 2021

9.0 FINANCIAL RESULTS

9.1 Total Revenue

CATEGORY	TOTAL	PER PUPIL
State per Pupil Aid	\$1,200,615	\$8,893
Special Education	\$54,873	\$406
Federal Funds (see below)	\$324,143	\$2,401
Grants	\$1,595	\$12
Donations From Sponsor		\$0
Other Donations	\$172,898	\$1,281
Other Revenue	\$22,187	\$164
Total	\$1,776,311	\$13,157

9.2 Federal Revenue (Break Out)

CATEGORY	TOTAL	PER PUPIL
Title I	\$46,724	\$346
Title II	\$4,728	\$35
Title III		\$0
Title IV	\$10,000	\$74
Title V		\$0
Title VI		\$0
Other Federal Funds	\$258,526	\$1,915
USDA - Federal Student Lunch	\$4,165	\$31
Total	\$324,143	\$2,401

9.3 Total Expenditures

CATEGORY	TOTAL	PER PUPIL
Instruction	\$828,239	\$6,135
Instructional Support	\$124,848	\$925
Pupil Services	\$35,587	\$264
Administration	\$504,566	\$3,738
Board*		\$0
Facilities	\$208,290	\$1,543
Contracted Services		\$0
Debt Service		\$0
Other Expenditures	\$83,673	\$620
Total	\$1,785,203	\$13,225

Total Net Assets

	July 1 (Current Year)	June 30 (Current Year)	Difference	Cumulative Total Net Assets
Total Net Assets	\$ 635,686	\$ 626,794	\$ (8,892)	\$ 626,794