

PATHWAYS HIGH, INC.
FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2025 AND 2024

Pathways High, Inc.
Table of Contents

Years Ended June 30, 2025 and 2024

	<u>Page(s)</u>
Independent Auditor's Report.....	1-3
Statements of Financial Position.....	4
Statements of Activities	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows	9
Notes to Financial Statements.....	10-16
Schedule of Expenditures of Federal and State Awards	17
Notes to Schedule of Expenditures of Federal and State Awards.....	18
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>	19-20
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.....	21-23
Summary Schedule of Prior Audit Findings	24
Schedule of Findings and Questioned Costs.....	25-26
Schedule of Financial Results - University of Wisconsin-Milwaukee	27



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, 2025 and 2024, 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, 2025 and 2024, 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.

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.

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 29, 2025, 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, reading "Walchowicz Boyce & Co. S.C.", followed by a large, stylized flourish.

Waukesha, Wisconsin
October 29, 2025

Pathways High, Inc.
Statements of Financial Position
June 30, 2025 and 2024

Assets

	<u>2025</u>	<u>2024</u>
Current Assets		
Cash	\$ 866,491	\$ 528,305
Grants receivable	7,667	23,121
Prepaid expenses	<u>25,207</u>	<u>20,276</u>
Total Current Assets	899,365	571,702
Property and Equipment, Net	1,758,761	1,831,613
Other Assets		
Right-of-use asset - finance lease, net	5,727	7,584
Website	<u>8,723</u>	<u>13,085</u>
Total Other Assets	<u>14,450</u>	<u>20,669</u>
Total Assets	<u><u>\$ 2,672,576</u></u>	<u><u>\$ 2,423,984</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 15,211	\$ 6,833
Accrued payroll and related liabilities	135,750	139,636
Accrued interest	1,173	1,661
Current portion of lease liability - finance lease	1,796	1,537
Current portion of mortgage payable	<u>60,298</u>	<u>57,880</u>
Total Current Liabilities	214,228	207,547
Long-Term Debt		
Lease liability - finance lease, less current portion	4,779	6,575
Mortgage payable, less current portion	<u>682,857</u>	<u>742,366</u>
Total Long-Term Liabilities	<u>687,636</u>	<u>748,941</u>
Total Liabilities	901,864	956,488
Net Assets		
Without donor restrictions		
Undesignated	<u>1,770,712</u>	<u>1,467,496</u>
Total Net Assets	<u>1,770,712</u>	<u>1,467,496</u>
Total Liabilities and Net Assets	<u><u>\$ 2,672,576</u></u>	<u><u>\$ 2,423,984</u></u>

See notes to financial statements.

Pathways High, Inc.
Statement of Activities
Year Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Government grants and contracts			
Charter school contract	\$ 1,700,705	\$ -	\$ 1,700,705
Special education grant	81,542	-	81,542
Government grants	198,455	-	198,455
Program service fees	20,035	-	20,035
Contributions	226,111	-	226,111
Special events	57,233	-	57,233
Less: Costs of direct benefits to donors	(6,231)	-	(6,231)
Miscellaneous	17,600	-	17,600
Interest	65	-	65
	<u>2,295,515</u>	<u>-</u>	<u>2,295,515</u>
Total Support and Revenues	2,295,515	-	2,295,515
Expenses			
Program services	1,555,035	-	1,555,035
Management and general	430,676	-	430,676
Fundraising	6,588	-	6,588
	<u>1,992,299</u>	<u>-</u>	<u>1,992,299</u>
Total Expenses	1,992,299	-	1,992,299
Change in Net Assets	303,216	-	303,216
Net Assets at Beginning of Year	<u>1,467,496</u>	<u>-</u>	<u>1,467,496</u>
Net Assets at End of Year	<u><u>\$ 1,770,712</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,770,712</u></u>

See notes to financial statements.

Pathways High, Inc.
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Government grants and contracts			
Charter school contract	\$ 1,901,295	\$ -	\$ 1,901,295
Special education grant	84,784	-	84,784
Government grants	510,910	-	510,910
Program service fees	18,708	-	18,708
Contributions	227,080	-	227,080
Special events	47,029	-	47,029
Less: Costs of direct benefits to donors	(5,226)	-	(5,226)
Miscellaneous	21,896	-	21,896
Interest	3	-	3
	<u>2,806,479</u>	<u>-</u>	<u>2,806,479</u>
Total Support and Revenues	2,806,479	-	2,806,479
Expenses			
Program services	1,833,996	-	1,833,996
Management and general	458,824	-	458,824
Fundraising	8,088	-	8,088
	<u>2,300,908</u>	<u>-</u>	<u>2,300,908</u>
Total Expenses	2,300,908	-	2,300,908
Change in Net Assets	505,571	-	505,571
Net Assets at Beginning of Year	961,925	-	961,925
Net Assets at End of Year	<u>\$ 1,467,496</u>	<u>\$ -</u>	<u>\$ 1,467,496</u>

See notes to financial statements.

Pathways High, Inc.
Statement of Functional Expenses
Year Ended June 30, 2025

		Supporting Services				Total 6/30/25
		Management and General	Fund- raising	Cost of Direct Benefits to Donors	Total	
	Program					
Amortization of right-of use asset	\$ 1,857	\$ -	\$ -	\$ -	\$ -	\$ 1,857
Athletics	3,765	-	-	-	-	3,765
Depreciation	55,144	22,069	-	-	22,069	77,213
Development events	-	-	5,557	6,231	11,788	11,788
Educational media and supplies	69,969	-	-	-	-	69,969
Employee benefits	76,775	24,200	-	-	24,200	100,975
Field trips and special events	20,204	-	-	-	-	20,204
Food expenses	65,209	-	-	-	-	65,209
Graduation	4,469	-	-	-	-	4,469
Insurance	34,662	3,851	-	-	3,851	38,513
Interest	33,327	-	-	-	-	33,327
License and fees	21,491	-	-	-	-	21,491
Office supplies	4,640	4,640	1,031	-	5,671	10,311
Parent services	20,154	-	-	-	-	20,154
Payroll taxes	62,824	25,022	-	-	25,022	87,846
Postage	831	92	-	-	92	923
Professional fees	29,571	10,643	-	-	10,643	40,214
Relocation and renovation	10,462	-	-	-	-	10,462
Repairs and maintenance	96,254	10,696	-	-	10,696	106,950
Salaries	807,574	323,197	-	-	323,197	1,130,771
School culture	3,862	-	-	-	-	3,862
Special education	8,318	-	-	-	-	8,318
School apparel	1,487	-	-	-	-	1,487
Student transportation	1,628	-	-	-	-	1,628
Technology	52,699	-	-	-	-	52,699
Telephone and internet	3,022	336	-	-	336	3,358
Training and seminars	11,465	-	-	-	-	11,465
Utilities	53,372	5,930	-	-	5,930	59,302
Total Expenses	1,555,035	430,676	6,588	6,231	443,495	1,998,530
Less Expenses included with revenues on Statement of Activities	-	-	-	(6,231)	(6,231)	(6,231)
Total Expenses included in the expense section of the Statement of Activities	\$ 1,555,035	\$ 430,676	\$ 6,588	\$ -	\$ 437,264	\$ 1,992,299

See notes to financial statements.

Pathways High, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program	Supporting Services				Total 6/30/24
		Management and General	Fund- raising	Cost of Direct Benefits to Donors	Total	
Amortization of right-of use asset	\$ 1,857	\$ -	\$ -	\$ -	\$ -	\$ 1,857
Athletics	1,600	-	-	-	-	1,600
Depreciation	50,246	19,424	-	-	19,424	69,670
Development events	-	-	6,905	5,226	12,131	12,131
Educational media and supplies	95,439	-	-	-	-	95,439
Employee benefits	154,300	20,673	-	-	20,673	174,973
Field trips and special events	34,491	-	-	-	-	34,491
Food expenses	53,977	-	-	-	-	53,977
Graduation	1,671	-	-	-	-	1,671
Insurance	30,313	3,368	-	-	3,368	33,681
Interest	37,097	-	-	-	-	37,097
License and fees	26,353	-	-	-	-	26,353
Occupancy	52,827	-	-	-	-	52,827
Office supplies	5,325	5,325	1,183	-	6,508	11,833
Parent services	20,372	-	-	-	-	20,372
Payroll taxes	68,672	27,160	-	-	27,160	95,832
Postage	1,017	113	-	-	113	1,130
Professional fees	29,642	18,061	-	-	18,061	47,703
Relocation and renovation	11,440	-	-	-	-	11,440
Repairs and maintenance	105,573	11,727	-	-	11,727	117,300
Salaries	898,995	347,537	-	-	347,537	1,246,532
School culture	5,957	-	-	-	-	5,957
Special education	12,770	-	-	-	-	12,770
Student transportation	1,646	-	-	-	-	1,646
Technology	59,755	-	-	-	-	59,755
Telephone and internet	6,571	730	-	-	730	7,301
Training and seminars	23,738	-	-	-	-	23,738
Utilities	42,352	4,706	-	-	4,706	47,058
Total Expenses	1,833,996	458,824	8,088	5,226	472,138	2,306,134
Less Expenses included with revenues on Statement of Activities	-	-	-	(5,226)	(5,226)	(5,226)
Total Expenses included in the expense section of the Statement of Activities	<u>\$ 1,833,996</u>	<u>\$ 458,824</u>	<u>\$ 8,088</u>	<u>\$ -</u>	<u>\$ 466,912</u>	<u>\$ 2,300,908</u>

See notes to financial statements.

Pathways High, Inc.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 303,216	\$ 505,571
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,213	69,670
Amortization of right-of-use asset	1,857	1,857
Amortization - debt issuance costs	305	305
Changes in operating assets and liabilities:		
Grants receivable	15,454	55,677
Prepaid expenses	(4,930)	(6,304)
Accounts payable	8,378	(50,237)
Accrued payroll and related liabilities	(3,886)	3,906
Accrued interest	(488)	17
	<u>397,119</u>	<u>580,462</u>
Net Cash Provided by Operating Activities	397,119	580,462
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>-</u>	<u>(306,141)</u>
Net Cash Used in Investing Activities	-	(306,141)
Cash Flows from Financing Activities		
Proceeds from borrowings - short term	-	180,000
Principal payments finance lease	(1,537)	(1,313)
Principal payments - short term	-	(180,000)
Principal payments - mortgage payable	<u>(57,396)</u>	<u>(54,972)</u>
Net Cash Used in Financing Activities	<u>(58,933)</u>	<u>(56,285)</u>
Net Increase in Cash	338,186	218,036
Cash at Beginning of Year	<u>528,305</u>	<u>310,269</u>
Cash at End of Year	<u><u>\$ 866,491</u></u>	<u><u>\$ 528,305</u></u>
Supplemental Disclosures		
Interest paid	<u><u>\$ 32,322</u></u>	<u><u>\$ 35,399</u></u>

See notes to financial statements.

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

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, 2025 and 2024

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, 2025 or 2024.

Grants Receivable

Grants receivable includes amounts for revenue from grants earned, but not yet received, as of year-end. Management has determined, based on historical experience, that all grant receivables are fully collectible and no allowance for doubtful accounts is necessary as of June 30, 2025 and 2024.

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.

Leases

The Organization determines if an arrangement is an operating or finance lease at inception. Leases are included in right-of-use ("ROU") assets, current liabilities, and long term liabilities on the Organization's Statements of Financial Position. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the implicit interest rate.

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:

Program service fee revenue is billed and recorded as revenue in the month the services are provided. Those services provided are considered the performance obligation and are satisfied at the point in time the services are performed.

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.

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grants and government contracts are recorded as contributions and 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.

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.

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, 2025 and 2024, 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.

Note 2 - Property and Equipment

Property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 33,485	\$ 33,485
Land improvements	39,755	39,755
Building and improvements	1,824,601	1,824,601
Construction in progress	26,995	26,995
Computer software	31,485	31,485
Fixtures, furniture and equipment	<u>117,199</u>	<u>117,199</u>
	2,073,520	2,073,520
Less: accumulated depreciation	<u>(314,759)</u>	<u>(241,907)</u>
Net Property and Equipment	<u>\$ 1,758,761</u>	<u>\$ 1,831,613</u>

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

Note 3 - Line of Credit

As of June 30, 2025 and 2024, 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. The line of credit expires in December of 2025. As of June 30, 2025 and 2024, no balance existed on the line of credit. This is secured by a commercial security agreement.

Note 4 - Finance Lease

The Organization has a finance lease for office equipment. The lease has a remaining lease term of 3 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:

	<u>2025</u>	<u>2024</u>
Right-of-use-asset - finance lease, net	\$ 5,727	\$ 7,584
Lease liability - finance lease	\$ 6,575	\$ 8,112

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

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	3 years	4 years
Weighted average discount rate	15.745%	15.745%

The maturities of the lease liability as of June 30, 2025 are as follows:

Year Ending June 30,	<u>Amount</u>
2026	\$ 2,706
2027	2,706
2028	2,706
2029	223
Thereafter	<u>-</u>
Total lease payments	8,341
Less: Interest	<u>(1,766)</u>
Present value of lease liability	<u>\$ 6,575</u>

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

Note 4 - Finance Lease (continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest expense	\$ 1,169	\$ 1,392
Amortization of right-of-use asset	\$ 1,857	\$ 1,857

The following summarizes cash flow information related to the lease for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liability		
Financing cash flows from finance lease	\$ 1,537	\$ 1,313

Note 5 - 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 mortgage payable requires monthly payments of \$7,477, including interest at a rate of 4.10%. The note was originally scheduled to mature in December 2025; however, the bank has formally committed to extending the maturity date to December 2030. A new interest rate will be determined at the effective date of the new note. The note 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:

	<u>2025</u>	<u>2024</u>
Mortgage payable - Old National Bank	\$ 746,184	\$ 803,580
Less: Unamortized debt issuance costs	(3,029)	(3,334)
Less: Current portion	<u>(60,298)</u>	<u>(57,880)</u>
Net mortgage payable	<u>\$ 682,857</u>	<u>\$ 742,366</u>

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

Note 5 - Mortgage Payable (continued)

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

Year Ending 6/30	Amount
2026	\$ 60,298
2027	62,817
2028	65,442
2029	68,176
2030	71,024
Thereafter	<u>418,427</u>
Total	<u>\$ 746,184</u>

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. The Organization also has 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, 2025 and 2024:

	2025	2024
Cash	\$ 866,491	\$ 528,305
Grants receivable	<u>7,667</u>	<u>23,121</u>
Financial assets available to meet general expenditures within one year	<u>\$ 874,158</u>	<u>\$ 551,426</u>

Note 7 - 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. During the year ended June 30, 2024, the Organization adopted a match of up to 4% for employees after four years of employment. The total contributed by the Organization during the years ended June 30, 2025 and 2024 was \$12,476 and \$14,135, respectively.

Pathways High, Inc.
Notes to Financial Statements
Years Ended June 30, 2025 and 2024

Note 8 - Related Party Transactions

A board member of the Organization is employed at a law firm that provides legal services for the Organization. Legal expenses paid to this firm for the years ended June 30, 2025 and 2024 were \$1,380 and \$3,471, respectively.

Note 9 - Concentration of Risk

The Organization's financial instruments consist primarily of cash, which may subject the Organization to concentrations of credit risk as, from time to time, balances may exceed federally insured limits. Management believes that risk with respect to these balances is minimal due to the high credit quality of the financial institutions.

Note 10 - Concentration of Revenues

During the years ended June 30, 2025 and 2024, the Organization received 86% and 89%, respectively, of its total support and revenue from its charter school contracts with the State of Wisconsin Department of Public Instruction.

Note 11 - 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, 2025 and 2024, the conditional grants are as follows:

	<u>2025</u>	<u>2024</u>
Conditional grant amount	\$ 1,111,732	\$ 765,391
Previously recognized	-	(391,288)
Currently recognized	<u>(106,674)</u>	<u>(358,693)</u>
Total remaining conditional balance	<u>\$ 1,005,058</u>	<u>\$ 15,410</u>

Note 12 - Subsequent Events

The Organization has reviewed the results of operations for the period of time from its year ended June 30, 2025 through October 29, 2025, 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, 2025

<u>Grantor/</u> Pass-through Grantor/ <i>Cluster or Program Title</i>	Federal Assistance Listing Number / State ID Number	Pass-Through Entity Identifying Number	Accrued (Deferred) Revenue 7/1/24	Cash Received	Federal and State Expenditures	Accrued (Deferred) Revenue 6/30/25
<u>U.S. Department of Agriculture</u>						
Wisconsin Department of Public Instruction						
<i>Child Nutrition Cluster</i>						
<i>School Breakfast Program</i>	10.553	2025-408017-DPI-SB-SEVERE-546	-	\$ 9,955	\$ 9,955	-
<i>National School Lunch Program</i>						
Food Service Aid National School Lunch	10.555	2025-408017-DPI-NSL-547	-	51,481	52,561	1,080
Donated commodities - non-cash	10.555	-	-	6,613	6,613	-
		Total Child Nutrition Cluster	-	68,049	69,129	1,080
		Total U.S. Department of Agriculture	-	68,049	69,129	1,080
<u>U.S. Department of Education</u>						
Wisconsin Department of Public Instruction						
<i>Title I Grants to Local Educational Agencies</i>	84.010	2025-408017-DPI-TI-A-141	13,115	107,318	99,830	5,627
<i>Special Education Cluster (IDEA)</i>						
<i>Special Education - Grants to States</i>	84.027	2025-408017-DPI-FLOW-341	-	43,276	43,276	-
		Total Special Education Cluster (IDEA)	-	43,276	43,276	-
Wisconsin Department of Public Instruction						
<i>Supporting Effective Instruction State Grant</i>	84.367	2025-408017-DPI-TIIA-365	633	7,478	6,845	-
<i>Student Support and Academic Enrichment Grants</i>	84.424	2025-408017-DPI-TIVA-381	-	9,040	10,000	960
<i>Elementary Secondary School Emergency Relief Fund III - COVID 19</i>	84.425U	2022-408139-DPI-ESSERFIII-165	9,372	9,372	-	-
Cooperative Educational Services Agency						
<i>American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth - COVID 19</i>	84.425W	-	-	505	505	-
		Total U.S. Department of Education	23,120	176,989	160,456	6,587
		Total Expenditures of Federal Awards	\$ 23,120	\$ 245,038	\$ 229,585	\$ 7,667
<u>State of Wisconsin</u>						
Wisconsin Department of Public Instruction						
<i>Special Ed and School Age Parents</i>	255.101	408017-100	\$ -	\$ 35,423	\$ 35,423	\$ -
<i>State School Lunch Aid</i>	255.102	408017-107	-	526	526	-
<i>Charter School State Aid-2r</i>	255.109	408017-115	-	1,700,705	1,700,705	-
<i>School Based Mental Health Services</i>	255.297	408017-177	-	4,515	4,515	-
<i>Early College Credit Program</i>	255.445	408017-178	-	5,864	5,864	-
<i>Educator Effective Eval Sys Grants Public</i>	255.940	408017-154	-	1,242	1,242	-
<i>Aid For Special Education Transition Grant</i>	255.960	408017-168	-	2,843	2,843	-
		Total Wisconsin Department of Public Instruction	-	1,751,118	1,751,118	-
		Total Expenditures of State Awards	\$ -	\$ 1,751,118	\$ 1,751,118	\$ -

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, 2025

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, 2025. 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.

Note C - Noncash Awards

The donated food commodities received during the year ended June 30, 2025, are included in the federal expenditures and are valued by the federal agency.



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, 2025, 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 29, 2025.

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.".

Waukesha, Wisconsin
October 29, 2025



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 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, 2025. 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, 2025.

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 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 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 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 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 School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Walhoun Boyer & Co. S.C." with a stylized flourish at the end.

Waukesha, Wisconsin

October 29, 2025

Pathways High, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

The prior year audit disclosed no findings.

Pathways High, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | 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 noted? | No |

State Awards

- | | |
|--|---------------|
| 4. Internal control over 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 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 programs tested:

<u>State Identification Number:</u>	<u>Name of Major Program:</u>
255.109	Charter School State Aid

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$250,000 |
|---|-----------|

B. Financial Statement Findings

No matters were reported

C. 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 auditor's report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weaknesses, or significant deficiencies) 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. Boykin CPA

5. Date of report

October 29, 2025

Pathways High, Inc.
Schedule of Financial Results
University of Wisconsin-Milwaukee
Year Ended June 30, 2025

Total Revenue		
<u>Category</u>	<u>Total</u>	<u>Per Pupil</u>
State per Pupil Aid	\$ 1,700,705	\$ 11,116
Special Education - State	38,266	250
Federal Funds (see below)	229,585	1,501
Grants - State	12,147	79
Other Donations	277,114	1,811
Other Revenue	37,698	246
Total	\$ 2,295,515	\$ 15,003

Federal Revenue (Break Out)		
<u>Category</u>	<u>Total</u>	<u>Per Pupil</u>
Title I	\$ 99,830	\$ 652
Title II	6,845	45
Title IV	10,000	65
Other Federal Funds		
IDEA	43,276	283
USDA - Federal Student Lunch	69,129	452
ESSER ARP-HCY	505	3
Total	\$ 229,585	\$ 1,500

Total Expenditures		
<u>Category</u>	<u>Total</u>	<u>Per Pupil</u>
Instruction	\$ 966,666	\$ 6,318
Instructional Support	146,636	958
Pupil Services	105,126	687
Administration	484,759	3,168
Facilities	210,042	1,373
Other Expenditures	79,070	517
Total	\$ 1,992,299	\$ 13,021

Total Net Assets				
	July 1 (Current Year)	June 30 (Current Year)	Difference	Cumulative Total Net Assets
Total Net Assets	\$ 1,467,496	\$ 1,770,712	\$ 303,216	\$ 1,770,712