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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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March 14, 2025

Charter School Board
The PATH School, Inc.
Marion County, Indiana

We have reviewed the audit report of The PATH School, Inc. which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The PATH School, Inc. as of June 30, 2024 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 5.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a supplemental report for The PATH School, Inc., was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

The PATH School, Inc.

Financial Statements
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



The PATH School, Inc.

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Donovan CPAs

Independent Auditor's Report

The Board of Directors
The PATH School, Inc.
Indianapolis, Indiana

Opinion

We audited the financial statements of The PATH School, Inc. (the School), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the results of its operations, functional expenses, and 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 (GAAS) 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 the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements 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, which raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS 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, 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 GAAS 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 audits in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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, which raise substantial doubt about the School'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 audits, significant audit findings, and certain internal control-related matters we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 audit 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 GAAS. In our opinion, the schedule of expenditures of federal awards 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 also issued our report dated December 19, 2024 on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the School recorded in-kind contributions and offsetting expenses from Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS), a related party, totaling \$3,221,179 and \$2,976,625 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 24% of total revenue and support and 26% of total expenses for the year ended June 30, 2024 (24% and 27%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented. Our opinion is not modified with respect to this matter.



Donovan CPAS
Indianapolis, Indiana
December 19, 2024

The PATH School, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 4,940,420	\$ 2,478,782
Grants receivable	563,864	956,566
Prepaid expenses	-	19,557
Total current assets	5,504,284	3,454,905
Fixed Assets		
Furniture and equipment	446,260	428,169
Less: accumulated depreciation	(207,797)	(119,248)
Fixed assets, net	238,463	308,921
Total Assets	\$ 5,742,747	\$ 3,763,826
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 450,508	\$ 263,709
Refundable advances	394,471	-
Total current liabilities	844,979	263,709
Net Assets, Without Donor Restrictions	4,897,768	3,500,117
Total Liabilities and Net Assets	\$ 5,742,747	\$ 3,763,826

See independent auditor's report and notes to the financial statements

The PATH School, Inc.
Statements of Activities and Change in Net Assets
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenue and Support		
Student-based allocation funding from IPS	\$ 5,263,220	\$ 4,497,252
In-kind contributions from IPS	3,221,179	2,976,625
Grant revenue	4,531,738	4,701,248
Contributions	587,831	295,304
Other income	57,104	18,558
Total revenue and support	<u>13,661,072</u>	<u>12,488,987</u>
Expenses		
Program services	9,660,302	8,527,723
Management and general	2,603,119	2,467,624
Total expenses	<u>12,263,421</u>	<u>10,995,347</u>
Change in Net Assets	1,397,651	1,493,640
Net Assets, Beginning of Year	<u>3,500,117</u>	<u>2,006,477</u>
Net Assets, End of Year	<u>\$ 4,897,768</u>	<u>\$ 3,500,117</u>

See independent auditor's report and notes to the financial statements

The PATH School, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
In-kind expenses:						
Occupancy	\$ 2,313,989	\$ -	\$ 2,313,989	\$ 1,978,744	\$ -	\$ 1,978,744
Student transportation	795,907	-	795,907	731,663	-	731,663
Security services	-	95,385	95,385	-	86,820	86,820
Public engagement	-	15,898	15,898	-	73,304	73,304
General education	-	-	-	81,053	-	81,053
Food services	-	-	-	25,041	-	25,041
Total in-kind expenses	<u>3,109,896</u>	<u>111,283</u>	<u>3,221,179</u>	<u>2,816,501</u>	<u>160,124</u>	<u>2,976,625</u>
Direct expenses:						
Salaries and wages	2,863,326	1,494,950	4,358,276	2,586,121	1,569,831	4,155,952
Professional services	1,106,072	618,280	1,724,352	829,990	379,452	1,209,442
Employee benefits	517,729	312,488	830,217	473,730	268,866	742,596
Classroom and office supplies	730,921	49,469	780,390	688,132	60,721	748,853
Food costs	525,021	-	525,021	406,165	-	406,165
Occupancy	264,078	-	264,078	223,818	-	223,818
Staff development	138,390	-	138,390	139,243	-	139,243
Depreciation	88,549	-	88,549	84,379	-	84,379
Technology services	88,230	-	88,230	100,716	-	100,716
Transportation	56,566	-	56,566	47,505	-	47,505
Insurance	42,118	-	42,118	40,341	-	40,341
Authorizer oversight fees	39,804	-	39,804	-	-	-
Travel and meetings	33,476	414	33,890	47,922	4,602	52,524
Equipment	11,087	-	11,087	11,421	-	11,421
Repairs and maintenance	1,562	-	1,562	10,040	-	10,040
Advertising	-	-	-	-	3,409	3,409
Other	43,477	16,235	59,712	21,699	20,619	42,318
Total direct expenses	<u>6,550,406</u>	<u>2,491,836</u>	<u>9,042,242</u>	<u>5,711,222</u>	<u>2,307,500</u>	<u>8,018,722</u>
Total functional expenses	<u>\$ 9,660,302</u>	<u>\$ 2,603,119</u>	<u>\$ 12,263,421</u>	<u>\$ 8,527,723</u>	<u>\$ 2,467,624</u>	<u>\$ 10,995,347</u>

See independent auditor's report and notes to the financial statements

The PATH School, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 1,397,651	\$ 1,493,640
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	88,549	84,379
Change in certain assets and liabilities:		
Grants receivable	392,702	(17,360)
Prepaid expenses	19,557	(5,807)
Accounts payable and accrued expenses	186,799	(24,213)
Refundable advances	394,471	-
Net change in cash from operating activities	2,479,729	1,530,639
 Investing Activities		
Purchases of fixed assets	(18,091)	(51,585)
 Net Change in Cash	2,461,638	1,479,054
 Cash, Beginning of Year	2,478,782	999,728
 Cash, End of Year	\$ 4,940,420	\$ 2,478,782

See independent auditor's report and notes to the financial statements

The PATH School, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 1 – Nature of Activities

The PATH School, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school under Indiana Code 20-24. The School is sponsored by the Office of Education Innovation (OEI) of the Mayor of the City of Indianapolis. The charter is effective through June 30, 2027 and is renewable thereafter by mutual consent. The School served approximately 615 students in kindergarten through eighth grade during the 2023-2024 school year (approximately 580 students during the 2022-2023 school year).

The School operates under an Innovation Network Charter School Agreement with Commissioners of the City of Indianapolis, also known as Indianapolis Public Schools (IPS). The agreement, under Indiana Code 20-25.5-1, allows IPS to enter into an agreement with the School to operate a charter school within an IPS building. The agreement is for a term of five years, with an automatic renewal for additional five-year terms. Under the agreement, IPS will pay to the School the amount the School would receive from the State of Indiana for state basic tuition support and complexity grant funding as if the School were a traditional charter school. The agreement can be terminated annually by either party by providing written notice at least 180 days prior to the end of the school year.

The School received valuable in-kind services from IPS during the years ended June 30, 2024 and 2023. The values of these services were estimated and have been reflected as in-kind contributions and expenses (Note 5).

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School, and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2024 and 2023, the School had only net assets without donor restrictions.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2024 and 2023.

The PATH School, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Grants Receivable

The School adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2024 which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including grants receivable. The adoption of this accounting standard update did not have a material impact on the School's financial position or the result of its operations and cash flows.

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes it is operating in compliance with regulatory requirements and as such no allowance for credit losses is deemed necessary.

Fixed Assets

Purchases of assets and expenditures which materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases of less than \$5,000 individually are charged to expense as incurred.

Furniture and equipment are depreciated using the straight-line method over an estimated useful life of four years.

Taxes on Income

The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through December 19, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

The PATH School, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 3 – Revenue Recognition

Revenue Recognition Policy

As discussed in Note 1, the majority of the School's revenue and support is provided by IPS as part of the Innovation Network Charter School Agreement. Under the agreement with IPS, the School receives monthly funding from IPS in accordance with a student-based allocation formula. Funding includes both fixed and variable components. The variable funding depends upon certain attributes including the number of students, student grades, poverty status, and other factors. Revenue is recognized in the year in which the services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs under the grant is considered satisfaction of the performance obligations.

The School also receives contributions and other income from other agencies and individuals, which are recorded in accordance with the terms of the underlying agreements.

Disaggregation of Revenue

Revenue is disaggregated on the statements of activities and change in net assets.

Note 4 – Refundable Advances

The School was awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Refundable grant advances totaled \$394,471 as of June 30, 2024. There were no refundable grant advances as of June 30, 2023.

Note 5 – Valuation of In-Kind Services

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$3,221,179 and \$2,976,625 during the years ended June 30, 2024 and 2023, respectively. These in-kind transactions represent approximately 24% of total revenue and support and 26% of total expenses for the year ended June 30, 2024 (24% and 27%, respectively, in 2023). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

The only in-kind contributions received by the School are from IPS and are disaggregated on the statements of activities and change in net assets. There are no restrictions set on these amounts.

The PATH School, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 6 – Retirement Plans

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 6% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF during the years ended June 30, 2024 and 2023. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2023 (the latest year reported), TRF was over 88% funded and PERF was over 81% funded.

In lieu of participating in either the TRF or PERF plans, the School offers a 401(k) defined contribution retirement plan for employees who have attained age 21. The School will match employee deferrals dollar for dollar up to 3% of compensation. The School may also make discretionary contributions.

Total contributions by the School to the retirement plans were \$123,906 and \$177,927 during the years ended June 30, 2024 and 2023, respectively.

Note 7 – Commitments

As the School's sponsoring organization, OEI exercises certain oversight responsibilities. Beginning with the 2023-2024 school year, OEI began assessing a fee equal to 1% of the basic tuition support received by the School. Authorizer oversight fees of \$39,804 were paid during the year ended June 30, 2024.

The charter agreement requires the School to establish a cash escrow account of no less than \$30,000 should a dissolution occur. As of June 30, 2024, this escrow account has been established and fully funded. The escrow account is included in the balance of cash on the statements of financial position.

Note 8 – Risks and Uncertainties

The School provides education instruction services to families primarily residing in Marion County, Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation and/or the agreements with IPS could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments potentially subjecting the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Fifth Third Bank are insured up to the FDIC insurance limit. As of June 30, 2024, the School's cash balance exceeded the FDIC insurance limit by approximately \$4,831,000.

The PATH School, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 9 – Liquidity

Financial assets held by the School include cash and grants receivable. Financial assets at June 30, 2024 and 2023 totaled \$5,504,284 and \$3,435,348, respectively, all of which are available to meet cash needs for general expenditures within one year, with the exception of the \$30,000 cash escrow account (Note 7).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 10 – Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

Supplementary Information

The PATH School, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Federal Grantor Agency/Pass-Through Entity/Cluster Title/Program Title/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 194,771
National School Lunch Program	10.555		474,127
Total U.S. Department of Agriculture			<u>668,898</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education:			
Title I, Part A; Grants to Local Educational Agencies	84.010A	7000S010A230014	350,471
Title I, Part A; Grants to Local Educational Agencies	84.010A	7000S010A220014	283,451
Title I, Part A; Grants to Local Educational Agencies	84.010A	7000S010A230014	168,918
Title II, Part A; Supporting Effective Instruction State Grants	84.367A	7000S367A230013	42,060
Title III, Part A; English Language Acquisition State Grants	84.365A	7000S365A230014	30,894
Title III, Part A; English Language Acquisition State Grants	84.365A	7000S365A210014	6,334
Title IV, Part A; Student Support and Academic Enrichment	84.424A	7000S424A230015	33,158
Special Education Cluster			
Special Education - Grants to States	84.027X	7000H027X210084	5,372
Special Education - Grants to States	84.027A	7000H027A220084	62,228
Special Education - Grants to States	84.027A	7000H173A230104	2,866
Special Education - Grants to States	84.027A	7000H027A230084	160,768
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425U	7000S425U210013	1,578,723
Total U.S. Department of Education			<u>2,725,243</u>
Total federal awards expended			<u>\$ 3,394,141</u>

See independent auditor's report and notes to this schedule

The PATH School, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of The PATH School, Inc. (the School) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, change in net assets, functional expenses, or cash flows of the School.

Note 2 – Summary of significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The School elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

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*

The Board of Directors
The PATH School, Inc.
Indianapolis, Indiana

We 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 The PATH School, Inc. (the School), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and issued our report thereon dated December 19, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 which 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 which might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 determination of financial statement amounts. 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 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a large, stylized 'D'.

Donovan CPAs
Indianapolis, Indiana
December 19, 2024



Donovan CPAs

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

The Board of Directors
The PATH School, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We audited The PATH School, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* which could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above which could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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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 the School's federal 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 the School'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 an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance 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, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 the School'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 the School's internal control over compliance relevant to the audit in order to design audit procedures appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School'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 federal 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 material noncompliance with a type of compliance requirement of a federal 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 federal program which 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 which 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 we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist which 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink that reads "DONOVAN". The letters are slightly slanted and connected, with a large, stylized 'D'.

Donovan CPAs
Indianapolis, Indiana
December 19, 2024

The PATH School, Inc.
Schedule of Finding and Questioned Costs
For the Year Ended June 30, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A: Grants to Local Educational Agencies
Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

The PATH School, Inc.
Other Report
For the Year Ended June 30, 2024

The reports presented herein were prepared in addition to another official report prepared for The PATH School, Inc. as listed below:

Supplemental Audit Report of The PATH School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

The PATH School, Inc.
Schedule of Lead Auditor
For the Years Ended June 30, 2024 and 2023

Auditor Information:	Donovan CPAs 9292 N Meridian Street, Suite 150 Indianapolis, IN 46260
Phone Number:	(317) 844-8300
Fax Number:	(317) 745-6545
Auditor Contract Title:	Benjamin A. Lippert, CPA
Auditor Contact Title:	Partner
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