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May 5, 2023

Charter School Board
The PATH School, Inc.
653 N Somerset Ave
Indianapolis, IN 46222

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, 2021 to June 30, 2022. 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, 2022 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 3.

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

In addition to the report presented herein, a Supplemental Audit Report for The PATH School, Inc., was prepared in accordance with the guidelines established by the 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 Auditors' Report
For the Years Ended June 30, 2022 and 2021



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
The PATH School, Inc.

Opinion

We have audited the financial statements of The PATH School, Inc. (“the School”), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021 and the changes in its net assets, 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 Auditors’ 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 that are 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, that 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 that 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 have also issued our report dated February 16, 2023 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 3 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 \$1,916,980 and \$1,944,321 during the years ended June 30, 2022 and 2021, respectively. These in-kind transactions represent approximately 19% of total revenue and support and 23% of total expenses for the year ended June 30, 2022 (27% and 27%, respectively, in 2021). 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

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and somewhat stylized, with the 'D' being particularly large and the 'N' having a long tail.

Indianapolis, Indiana
February 16, 2023

THE PATH SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 999,728	\$ 376,311
Grants receivable	939,206	508,946
Prepaid expenses	13,750	27,564
<i>Total current assets</i>	<u>1,952,684</u>	<u>912,821</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	376,584	12,850
Less: accumulated depreciation	<u>(34,869)</u>	<u>(2,945)</u>
<i>Property and equipment, net</i>	<u>341,715</u>	<u>9,905</u>
TOTAL ASSETS	<u><u>\$ 2,294,399</u></u>	<u><u>\$ 922,726</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 287,922	\$ 583,221
Refundable advance	<u>-</u>	<u>25,512</u>
<i>Total current liabilities</i>	287,922	608,733
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>2,006,477</u>	<u>313,993</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,294,399</u></u>	<u><u>\$ 922,726</u></u>

See independent auditors' report and accompanying notes to the financial statements

THE PATH SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
Student-based allocation funding from IPS	\$ 4,189,824	\$ 3,867,539
In-kind contributions from IPS	1,916,980	1,944,321
Grant revenue	3,767,507	1,357,908
Contributions	221,218	10,303
Other income	25,284	21,124
<i>Total revenue and support</i>	<u>10,120,813</u>	<u>7,201,195</u>
EXPENSES		
Program services	6,251,000	5,748,216
Management and general	2,177,329	1,468,557
<i>Total expenses</i>	<u>8,428,329</u>	<u>7,216,773</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,692,484	(15,578)
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>-</u>	<u>41,600</u>
CHANGE IN NET ASSETS	1,692,484	26,022
NET ASSETS, BEGINNING OF YEAR	<u>313,993</u>	<u>287,971</u>
NET ASSETS, END OF YEAR	<u>\$ 2,006,477</u>	<u>\$ 313,993</u>

See independent auditors' report and accompanying notes to the financial statements

THE PATH SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
In-kind expenses:						
Occupancy	\$ 1,456,943	\$ -	\$ 1,456,943	\$ 1,318,239	\$ -	\$ 1,318,239
Student transportation	388,822	-	388,822	569,020	-	569,020
Security services	-	71,215	71,215	-	57,062	57,062
<i>Total in-kind expenses</i>	<u>1,845,765</u>	<u>71,215</u>	<u>1,916,980</u>	<u>1,887,259</u>	<u>57,062</u>	<u>1,944,321</u>
Direct expenses:						
Salaries and wages	1,918,353	1,365,253	3,283,606	2,242,646	850,816	3,093,462
Professional services	538,224	380,546	918,770	270,734	244,028	514,762
Classroom and office supplies	612,821	107,316	720,137	296,293	121,335	417,628
Employee benefits	313,741	236,566	550,307	355,289	167,157	522,446
Food costs	347,117	-	347,117	187,557	-	187,557
Staff development	191,266	-	191,266	51,988	-	51,988
Technology services	139,109	-	139,109	66,120	-	66,120
Repairs and maintenance	5,734	-	5,734	1,477	-	1,477
Occupancy	168,240	-	168,240	164,037	-	164,037
Transportation	33,105	-	33,105	10,873	-	10,873
Depreciation	31,924	-	31,924	2,945	-	2,945
Equipment	28,938	-	28,938	170,173	-	170,173
Insurance	28,383	-	28,383	29,744	-	29,744
Travel and meetings	27,691	-	27,691	-	1,093	1,093
Advertising	-	6,988	6,988	-	9,204	9,204
Other	20,589	9,445	30,034	11,081	17,862	28,943
<i>Total direct expenses</i>	<u>4,405,235</u>	<u>2,106,114</u>	<u>6,511,349</u>	<u>3,860,957</u>	<u>1,411,495</u>	<u>5,272,452</u>
<i>Total functional expenses</i>	<u>\$ 6,251,000</u>	<u>\$ 2,177,329</u>	<u>\$ 8,428,329</u>	<u>\$ 5,748,216</u>	<u>\$ 1,468,557</u>	<u>\$ 7,216,773</u>

See independent auditors' report and accompanying notes to the financial statements

THE PATH SCHOOL, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,692,484	\$ 26,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness income	-	(41,600)
Depreciation	31,924	2,945
Change in certain assets and liabilities:		
Grants receivable	(430,260)	(427,121)
Prepaid expenses	13,814	(27,564)
Accounts payable and accrued expenses	(295,299)	574,426
Refundable advance	<u>(25,512)</u>	<u>25,512</u>
 <i>Net cash provided by operating activities</i>	 987,151	 132,620
INVESTING ACTIVITIES		
Purchases of property and equipment	(363,734)	(12,850)
FINANCING ACTIVITIES		
Repayment of IPS note payable	<u>-</u>	<u>(312,000)</u>
NET CHANGE IN CASH	623,417	(192,230)
CASH, BEGINNING OF YEAR	<u>376,311</u>	<u>568,541</u>
CASH, END OF YEAR	<u>\$ 999,728</u>	<u>\$ 376,311</u>

See independent auditors' report and accompanying notes to the financial statements

THE PATH SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – 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 commenced operations as a public charter school on July 1, 2020 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 600 students in kindergarten through eighth grade during the 2021-2022 school year (approximately 515 students during the 2020-2021 school year).

On March 19, 2020, the School entered into 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 for occupancy and other services during the years ended June 30, 2022 and 2021. The values of these services were estimated and have been reflected as in-kind contributions and expenses. See Note 3.

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, 2022 and 2021, the School had only net assets without donor restrictions.

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 that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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, 2022 and 2021.

Grants Receivable – 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 doubtful accounts is deemed necessary.

THE PATH SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of assets and expenditures that 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 the respective asset's 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, 2022 and 2021, 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 be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is 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, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through February 16, 2023, 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.

NOTE 2 - 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 educational 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.

THE PATH SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 2 - REVENUE RECOGNITION, Continued

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

NOTE 3 - VALUATION OF IN-KIND SERVICES

Effective July 1, 2021, the School adopted ASU No. 2020-07 *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The amendments in this update are required to be applied retrospectively to each prior reporting period presented. The School applied the provisions of this ASU to the June 30, 2022 and 2021 financial statements. There was no material impact to the financial statements. 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 and there are no restrictions set on these amounts.

The School recorded in-kind contributions and offsetting expenses from IPS, a related party, totaling \$1,916,980 and \$1,944,321 during the years ended June 30, 2022 and 2021, respectively. These in-kind transactions represent approximately 19% of total revenue and support and 23% of total expenses for the year ended June 30, 2022 (27% and 27%, respectively, in 2021). These amounts are calculated by IPS using significant estimates and judgments and are recorded by management of the School as presented.

NOTE 4 - REFUNDABLE ADVANCE

The School receives grants, some of which must be spent in accordance with submitted budgets with any funds not expended for the designated purposes returned. Accordingly, the revenue is recognized as approved expenditures are incurred. The refundable advance as of June 30, 2021 represents unspent funds from the Non-English Speaking Program. There were no unspent funds at June 30, 2022.

NOTE 5 - PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. On May 7, 2020, the School was granted a loan from Fifth Third Bank, National Association in the amount of \$41,600, pursuant to the PPP under Division A, Title I of the CARES Act. The note was forgiven in full on February 10, 2021 and recorded as PPP loan forgiveness income during the year ended June 30, 2021.

THE PATH SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 6 - RETIREMENT PLAN

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 year ended June 30, 2022. 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, 2022, TRF was approximately 92% funded and PERF was approximately 83% 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 \$75,858 and \$24,442 during the years ended June 30, 2022 and 2021, respectively.

NOTE 7 - COMMITMENTS

As the School's sponsoring organization, OEI exercises certain oversight responsibilities. Beginning with the 2023-2024 school year, OEI will assess a fee equal to 1% of the basic tuition support received by the School. No management fees were paid during the years ended June 30, 2022 and 2021.

The charter agreement requires the School to establish a cash escrow account of no less than \$30,000 should a dissolution occur, which can be funded at \$10,000 per year each of the first three years of operation.

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.

THE PATH SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2022 and 2021

NOTE 8 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject 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, 2022 and 2021 and regularly throughout the years then ended, the School's cash balance exceeded the FDIC insurance limit.

NOTE 9 - 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 has 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.

NOTE 10 - LIQUIDITY

Financial assets held by the School include cash and grants receivable. Financial assets at June 30, 2022 and 2021 total \$1,938,934 and \$885,257, respectively, all of which are available to meet cash needs for general expenditures within one year.

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.

SUPPLEMENTARY INFORMATION

THE PATH SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<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		\$ 132,376
National School Lunch Program	10.555		<u>358,109</u>
<i>Total U.S. Department of Agriculture</i>			<u>490,485</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title I, Part A; Grants to Local Education Agencies	84.010	S010A210014	245,508
Title I, Part A; Grants to Local Education Agencies	84.010	S010A200014	227,559
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A210013	36,328
Title II, Part A; Supporting Effective Instruction State Grants	84.367	S367A200013	43,139
Title III, Part A; English Language Acquisition State Grants	84.365A	S365A190014	30,201
Title IV, Part A; Student Support and Academic Enrichment	84.424	S424A210015	32,965
Special Education Cluster			
Special Education Grants to States	84.027	22611-638-PN01	66,661
Special Education Grants to States	84.027	22611-638-DY01	53,202
Special Education Grants to States	84.027	22619-638-DY01	2,396
Charter School Program: Quality Counts	84.282A	U282A170017	349,059
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	1,087,732
Elementary and Secondary School Emergency Relief Fund	84.425D	S425U210013	209,739
Governor's Emergency Education Relief Fund	84.425C		<u>14,639</u>
<i>Total U.S. Department of Education</i>			<u>2,399,128</u>
<i>Total federal awards expended</i>			<u>\$ 2,889,613</u>

THE PATH SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

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, 2022. 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 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Donovan CPAs

INDEPENDENT AUDITORS' 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.

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 The PATH School, Inc. ("the School"), which comprise the statement of financial position as of June 30, 2022, 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 have issued our report thereon dated February 16, 2023.

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 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 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 that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 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 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.

DONOVAN

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

Indianapolis, Indiana
February 16, 2023



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

The Board of Directors
The PATH School, Inc.

Report on Compliance for Each Major Federal Program

We have audited The PATH School, Inc.'s ("the School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Each Major Federal Program

In our opinion, the School 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 federal programs for the year ended June 30, 2022.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

DONOVAN



Indianapolis, Indiana
February 16, 2023

THE PATH SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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>
84.425D	Education Stabilization Fund: Elementary and Secondary School Emergency Relief Fund

Dollar threshold use to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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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, 2022

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*.