

PATHWAYS IN EDUCATION - LOUISIANA, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019



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PATHWAYS IN EDUCATION - LOUISIANA, INC.
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YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pathways in Education - Louisiana, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Pathways in Education - Louisiana, Inc. (the School), a nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

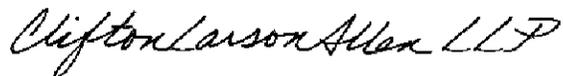
Other Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments the agency head is presented for purposes of additional analysis and are not a required part of the basic 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedules required by Louisiana State Law, included as Schedules 1 and 2, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. 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 combining financial statements. We have applied certain limited procedures, which are described in the Independent Accountants' Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2019 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 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 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.



CliftonLarsonAllen LLP

Glendora, California
December 20, 2019

PATHWAYS IN EDUCATION - LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,563,067
Accounts Receivable	237
Prepaid Expenses and Other Assets	<u>29,081</u>
Total Current Assets	<u>1,592,385</u>

LONG-TERM ASSETS

Deposits	11,800
Property, Plant and Equipment	<u>850,803</u>
Total Long-Term Assets	<u>862,603</u>

Total Assets	<u><u>\$ 2,454,988</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 83,517
Due to Related Parties	97,515
Deferred Revenue	<u>33,108</u>
Total Current Liabilities	<u>214,140</u>

LONG-TERM LIABILITIES

Line of Credit from Related Party	<u>414,318</u>
Total Long-Term Liabilities	<u>414,318</u>

Total Liabilities	<u>628,458</u>
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NET ASSETS

Without Donor Restriction	<u>1,826,530</u>
Total Net Assets	<u>1,826,530</u>

Total Liabilities and Net Assets	<u><u>\$ 2,454,988</u></u>
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See accompanying Notes to Financial Statements.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

REVENUES, WITHOUT DONOR RESTRICTION

Minimum Foundation Program	\$ 3,202,732
Contributed Materials and Services	134,739
Total Revenues Without Donor Restriction	<u>3,337,471</u>

EXPENSES

Program Services	2,808,548
Management and General	240,117
Total Expenses	<u>3,048,665</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION

288,806

Net Assets Without Donor Restriction, Beginning of Year

1,537,724

NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR

\$ 1,826,530

See accompanying Notes to Financial Statements.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets Without Donor Restrictions	\$	288,806
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by Operating Activities:		
Depreciation		267,630
Change in Operating Assets:		
Accounts Receivable		(237)
Prepaid Expenses and Other Assets		5,004
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities		(128,458)
Deferred Revenue		33,108
Net Cash Flows Provided by Operating Activities		465,853

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Property, Plant and Equipment		(14,214)
Net Cash Used by Investing Activities		(14,214)

CASH FLOWS from FINANCING ACTIVITIES:

Repayments To Related Parties		(220,882)
Net Cash Flows from Financing Activities		(220,882)

NET CHANGE IN CASH AND CASH EQUIVALENTS

230,757

Cash and Cash Equivalents, Beginning of Year

1,332,310

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 1,563,067

See accompanying Notes to Financial Statements.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 1,186,043	\$ -	\$ 1,186,043
Pension Expense	5,275	-	5,275
Other Employee Benefits	196,160	-	196,160
Payroll Taxes	89,979	-	89,979
Management Fees	418,954	73,933	492,887
Instructional Materials	253,588	-	253,588
Other Fees for Services	129,796	11,153	140,949
Advertising and Promotion Expenses	-	22,549	22,549
Office Expenses	-	109,036	109,036
Occupancy Expenses	207,803	-	207,803
Travel Expenses	23,345	2,657	26,002
Interest Expense	-	12,268	12,268
Depreciation Expense	267,630	-	267,630
Insurance Expense	29,975	-	29,975
Other Expenses	-	8,521	8,521
	<u>\$ 2,808,548</u>	<u>\$ 240,117</u>	<u>\$ 3,048,665</u>
Total			

See accompanying Notes to Financial Statements.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pathways in Education - Louisiana, Inc. ("the School") was originally formed August 29, 2008, under the name of Pathways in Education - New Orleans, Inc. Effective July 23, 2012, Pathways in Education - New Orleans, Inc. changed its corporate name to Pathways in Education - Louisiana, Inc. The corporation was dormant until February 10, 2014.

The School is a Louisiana not-for-profit corporation, formed exclusively for educational purposes. On July 1, 2014, the School entered into a Type 1 charter school contract with Caddo Parish School Board (CPSB) to operate an alternative school for students from ninth to twelfth grade in Caddo Parish, Louisiana. The charter agreement with CPSB is for an initial term of five years, contingent upon the results of the reporting requirements at the end of the third year as provided in LA R.S. 17:3998 (A)(2) and may be renewed at the discretion of CPSB. The School opened its first campus in Shreveport for the 2014/2015 school year. The School opened its second campus in Shreveport for the 2015/2016 school year.

The School is an independent nonprofit entity, separate and distinct from the Caddo Parish School Board, the primary government and reporting entity. However, the School is a component unit of CPSB and the School's financial statements are included in the CPSB's basic financial statements as a component unit.

The School received approximately 90% of its total revenues from federal and state grantors.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2019. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property and Equipment

Property and equipment is capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated property and equipment is recorded at fair market values as of the date received. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (five years) for furniture, fixtures and equipment. Leasehold improvements are depreciated over the lesser of the useful life of the asset or the lease term.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Compensated Absences

The Charter School's policy permits employees to accumulate earned but not used time off up to 300 hours.

Revenue Recognition

The School's primary sources of funding are through the State Public School Fund and federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for income taxes. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Evaluation of Subsequent Events

The School has evaluated subsequent events through December 31, 2019, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$1,563,304.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short term investments, CDs, and money market funds.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Charter School received the majority of its total revenues from the State of Louisiana, subject to its charter school contract with CPSB for the year ended June 30, 2019.

NOTE 4 OPERATING LEASES

PMG has entered into various agreements with unrelated parties to lease real estate and buildings for the operation of the Charter School. The Charter School is responsible for reimbursing PMG for payments made under the leasing agreements. The Charter School is committed to pay PMG the following lease payments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 135,577
2021	76,848
2022	76,848
2023	76,848
2024	57,636
Total	<u>\$ 423,757</u>

NOTE 5 CONTINGENCIES

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 6 RELATED PARTY TRANSACTIONS

The School entered into a \$2,500,000 line of credit with Pathways Management Group, Inc. (PMG), a related party. PMG and the School share similar officers. Interest and principal are due March 27, 2024. Interest shall accrue on the principal sum, or any other advances made at the lowest published Applicable Federal Rates (AFR) in the month in which any disbursements are made. The line of credit is secured by program fees and revenues received by the School. Amounts advanced including interest earned, but not paid on the line of credit as of June 30, 2019, totaled \$412,004. Interest expense for the year ended June 30, 2019, related to this line of credit was \$12,268.

The School has entered into a management services and property agreement with PMG, a related party. The agreement states that PMG shall be entitled to a management fee for its services. The management fee is set at \$127 per student served per month. For the year ended June 30, 2019, management fee expense totaled \$492,887.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

PMG paid expenses on behalf of the School during the year ended June 30, 2019. At June 30, 2019, the balance due to PMG was \$46,061.

The School reimburses PMG for lease expenses paid for the school campuses under PMG's leasing agreements with third parties. Total lease expense for the year ended June 30, 2019, totaled \$137,186.

Pathways in Education, Inc., a related party, paid expenses totaling \$131,668 on behalf of the School during the year ended June 30, 2019. At June 30, 2019, the balance due to Pathways in Education, Inc. was \$5,861. Pathways in Education, Inc. and the School share similar officers.

The School utilizes the services of Blackbird Farm (BBF), a related party to provide activities for select students and Board retreats. BBF and the School share similar officers. The School has made payments totaling \$38,722 during the year ended June 30, 2019.

The School has recorded contributed service revenue and expense related to consulting and enrollment billing provided by Education Dynamics, Inc. (EDI), a related party. EDI and the School share similar officers. The School has recorded \$1,320 in contributed service revenue and expense during the year ended June 30, 2019. The fair value of the services was provided by the related party.

The School has recorded contributed service revenue and expense related to computer hardware consulting services provided by AllTech Enterprises, LLC (AllTech), a related party. AllTech and the School share similar officers. The School has recorded \$50,670 in contributed service revenue and expense during the year ended June 30, 2019. The fair value of the services was provided by the related party.

The School has recorded contributed service revenue and expense related to development services for curriculum/instructional materials and events, material and supplies, and other services that were provided by Education Management Systems III, Inc. (EMS III), a related party. EMS III and the School share similar officers. The School has recorded \$82,749 in contributed service revenue and expense during the years ended June 30, 2019. The fair value of the services was provided by the related party.

NOTE 7 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include management fees, consulting service and travel, which are allocated on the basis of contractual terms.



**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**

Board of Directors
Pathways in Education - Louisiana, Inc.
Shreveport, Louisiana

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 in Education - Louisiana, Inc. (the School), a nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 20, 2019.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 20, 2019

**PATHWAYS IN EDUCATION - LOUISIANA, INC.
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019**

There were no findings for the year ended June 30, 2019.

**PATHWAYS IN EDUCATION - LOUISIANA, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2019**

There were no findings for the year ended June 30, 2018.

PATHWAYS IN EDUCATION - LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
YEAR ENDED JUNE 30, 2019

Agency Head:

Purpose	Amount
Salary	\$ 78,000
Benefits - Employer Portion of Retirement	2,247
Benefits - Employer Portion of Medical/Dental/Vision	15,673
Other Compensation	6,540
Total	<u>\$ 102,460</u>

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 – PERFORMANCE AND STATISTICAL DATA)**



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Pathways in Education - Louisiana, Inc.
Shreveport, Louisiana

We have performed the procedures enumerated below, which were agreed to by Pathways in Education - Louisiana, Inc. (the School); the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the School for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin 126, in compliance with Louisiana Revised Statute 24:514 I. Management of the School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly, based on description and nature of the revenue/expense, and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Findings:
None.

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced all classes to the October 1st roll books for those classes and determined if the class was accurately classified on the schedule.

Findings:

None.

Education Levels of Public School Staff (NO SCHEDULE)

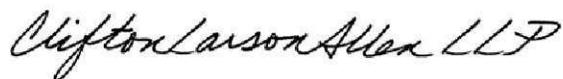
3. We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing prepared by management.

Findings:

None.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of the (City or Parish School Board or Charter School), as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



CliftonLarsonAllen LLP

Glendora, California
December 20, 2019

PATHWAYS IN EDUCATION - LOUISIANA, INC.
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND CERTAIN LOCAL
REVENUE SOURCES
SCHEDULE 1
YEAR ENDED JUNE 30, 2019

General Fund Instructional and Equipment Expenditures	Column A	Column B
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	1,276,022.00	
Other Instructional Staff Activities	26,002.00	
Instructional Staff Employee Benefits	201,435.00	
Other Purchased Services	633,836.00	
Instructional Materials and Supplies	253,565.00	
Instructional Equipment	23.00	
Total Teacher and Student Interaction Activities		\$ 2,390,883
Other Instructional Activities		-
Pupil Support Services	211,795.00	
Less: Equipment for Pupil Support Services		
Net Pupil Support Services		211,795
Instructional Staff Services	109,036.00	
Less: Equipment for Instructional Staff Services		
Net Instructional Staff Services		109,036
School Administration	336,951.00	
Less: Equipment for School Administration		
Net School Administration		336,951
Total General Fund Instructional Expenditures (Total of Column B)		\$ 3,048,665
Total General Fund Equipment Expenditures (Object 730; Functional Series 1000-4000)		\$ 23
Local Revenue Sources		
Earnings on Investments:		
Interest on Investments		\$ -
Other Revenue from Local Sources:		
Contributions and Donations		134,739
Miscellaneous Revenues:		
Other Miscellaneous Revenues		-
Total Revenues from Local Sources		\$ 134,739

**PATHWAYS IN EDUCATION - LOUISIANA, INC.
 CLASS-SIZE CHARACTERISTICS
 SCHEDULE 2
 YEAR ENDED JUNE 30, 2019**

Class Size Characteristics
 As of October 1, 2019

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Elementary								
Elementary Activity Class								
Middle High								
Middle High Activity Class								
High	22	100%						
High Activity Class								
Combination								
Combination Activity Class								



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Pathways in Education - Louisiana, Inc.
Shreveport, LA

We have performed the procedures enumerated below, which were agreed to by Pathways in Education - Louisiana, Inc. (the School) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Rotation of Procedures

Entities that did not have exceptions in one or more of the twelve SAUP categories tested during Year 2 may exclude those categories from testing in Year 3.

Our procedures and findings are as follows:

Written Policies and Procedures

Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Results: Noted no written policies and procedures addressing this category.

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: No exceptions were noted as a result of applying this procedure.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

- c) Disbursements, including processing, reviewing, and approving

Results: No exceptions were noted as a result of applying this procedure.

- d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: No exceptions were noted as a result of applying this procedure.

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: No exceptions were noted as a result of applying this procedure.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: No exceptions were noted as a result of applying this procedure.

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were noted as a result of applying this procedure.

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were noted as a result of applying this procedure.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111- 1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: No exceptions were noted as a result of applying this procedure as this is not applicable to School.

- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: No exceptions were noted as a result of applying this procedure as this is not applicable to School.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

- k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The written policies and procedures addressed the above financial/business function.

Board or Finance Committee

Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: Meetings are not held monthly.

- b) For those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Results: No exceptions were noted as a result of applying this procedure.

Bank Reconciliations

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Collections (excluding EFTs)

Obtain a listing of deposit sites⁹ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions were noted as a result of applying this procedure.

For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Results: No exceptions were noted as a result of applying this procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: No exceptions were noted as a result of applying this procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Results: No exceptions were noted as a result of applying this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions were noted as a result of applying this procedure.

Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were noted as a result of applying this procedure.

Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were noted as a result of applying this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were noted as a result of applying this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were noted as a result of applying this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Results: No exceptions were noted as a result of applying this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were noted as a result of applying this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Contracts

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Payroll and Personnel

We did not perform procedures for the period ended June 30, 2019. The prior year Statewide Agreed-Upon procedures had no exceptions in this area.

Ethics

We did not perform procedures for the period ended June 30, 2019. It is not applicable to this not-for-profit charter school.

Other

Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions were noted as a result of applying this procedure.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Observe that the entity has posted on its premises¹⁹ and website, the notice required by R.S.24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public Funds.

Results: No exceptions were noted as a result of applying this procedure.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. CLA was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the use of management of the School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



CliftonLarsonAllen LLP
Glendora CA
December 20, 2019



Board of Directors
Pathways in Education - Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Pathways in Education - Louisiana, Inc. as of and for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pathways in Education - Louisiana, Inc. are described in Note 1 to the financial statements.

As described in the footnotes, the entity changed accounting policies related to financial reporting by adopting Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates deemed significant to the financial statements.

Financial statement disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 20, 2019.

Other audit issues and upcoming new standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new revenue recognition standard affects all entities, including public, private, and not-for-profit, that have contracts with customers, except where there is other specific revenue recognition guidance issued by the FASB.

This new revenue recognition standard effectively eliminates the transaction specific and industry-specific revenue recognition guidance under current accounting principles generally accepted in the United States of America (U.S. GAAP) and replaces it with a principles-based approach for determining an entity's revenue recognition policies. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The effective date for this new revenue recognition standard for nonpublic entities is for annual reporting periods beginning after December 15, 2018.

This ASU has the potential to cause major changes in revenue recognition and have significant effects on an entity's financial statements. Based on the effective date and the adoption methods provided for in the standard, we strongly encourage management and governance of the entity to gain an understanding of the effect of Topic 606 by performing an assessment of the entity's various revenue streams, which may require a detailed review of customer contracts. The entity should be prepared to update policies and procedures. The assessment should be performed before making quantitative conclusions regarding the financial statement effect of Topic 606. We are available to assist you in developing your adoption and implementation plan over the course of the next few months.

* * *

This communication is intended solely for the information and use of the board of directors and management of Pathways in Education - Louisiana, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Glendora, CA
December 20, 2019