

# Pathways in Education - Louisiana, Inc.

## FINANCIAL STATEMENTS

June 30, 2018



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)



## Pathways in Education - Louisiana, Inc. Table of Contents

### REPORT

Independent Auditors' Report	1
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 <i>Government Auditing Standards</i>	3

### FINANCIAL STATEMENTS

Statement of Financial Position June 30, 2018	5
Statement of Activities For the year ended June 30, 2018	6
Statement of Cash Flows For the year ended June 30, 2018	7
Notes to Financial Statements	8
Supplemental Information	
Schedule of Compensation Paid to the Board of Trustees For the year ended June 30, 2018	16
Schedule of Compensation, Benefits and Other Payments to Agency Head For the year ended June 30, 2018	17
Schedule of Findings and Responses	18



**Carr, Riggs & Ingram, LLC**  
1000 East Preston Avenue  
Suite 200  
Shreveport, LA 71105

Mailing Address:  
P.O. Box 4278  
Shreveport, LA 71134-0278

(318) 222-2222  
(318) 226-7150 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and cash flows for the year then ended and the related notes to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 above present fairly, in all material respects, the financial position of Pathways in Education - Louisiana, Inc. as of June 30, 2018, 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 financial statements as a whole. The accompanying Schedule of Compensation Paid to the Board of Trustees and the Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of Pathways in Education - Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pathways in Education - Louisiana Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pathways in Education - Louisiana, Inc.'s internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 19, 2018

**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***

To the Board of Trustees  
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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pathways in Education - Louisiana, Inc.'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 Pathways in Education - Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pathways in Education - Louisiana, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pathways in Education - Louisiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

**CARR, RIGGS & INGRAM, LLC**

Shreveport, Louisiana  
December 19, 2018

**Pathways in Education - Louisiana, Inc.**  
**Statement of Financial Position**

<i>June 30,</i>	<b>2018</b>
<b>Assets</b>	
Current assets	
Cash	\$ 1,332,310
Prepaid expenses	34,085
Total current assets	<b>1,366,395</b>
Property and equipment	
Leasehold improvements	1,799,793
Furniture, fixtures and equipment	140,963
Less: accumulated depreciation	(836,537)
Net property and equipment	<b>1,104,219</b>
Deposits	
	<b>11,800</b>
Total assets	<b>\$ 2,482,414</b>
<b>Liabilities and Net Assets</b>	
Current liabilities	
Accounts payable	\$ 13,277
Due to related parties	84,899
Accrued expenses	198,698
Total current liabilities	<b>296,874</b>
Long-term liabilities	
Due to related parties	647,816
Total long-term liabilities	<b>647,816</b>
Total liabilities	<b>944,690</b>
Net assets	
Unrestricted	1,537,724
Temporarily restricted	-
Permanently restricted	-
Total net assets	<b>1,537,724</b>
Total liabilities and net assets	<b>\$ 2,482,414</b>

*The accompanying notes are an integral part of these financial statements.*

**Pathways in Education - Louisiana, Inc.**  
**Statement of Activities**

<i>For the year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Minimum Foundation Program	\$ 4,123,829	\$ -	\$ -	\$ 4,123,829
Contributed materials and services	296,340	-	-	296,340
<b>Total support and revenue</b>	<b>4,420,169</b>	<b>-</b>	<b>-</b>	<b>4,420,169</b>
<b>Expenses</b>				
<b>Program services</b>				
Regular program expenditures	-	-	-	-
Special education programs	-	-	-	-
Other instructional programs	2,215,920	-	-	2,215,920
Pupil support services	-	-	-	-
Instructional staff services	-	-	-	-
School administration	216,110	-	-	216,110
Operation and maintenance of plant services	477,972	-	-	477,972
Food service operations	-	-	-	-
Debt service	26,398	-	-	26,398
<b>Management and general</b>				
Business services	5,804	-	-	5,804
General administration	834,712	-	-	834,712
Central services	21,590	-	-	21,590
<b>Total expenses</b>	<b>3,798,506</b>	<b>-</b>	<b>-</b>	<b>3,798,506</b>
Change in net assets	621,663	-	-	621,663
<b>Net assets, beginning of year</b>	<b>916,061</b>	<b>-</b>	<b>-</b>	<b>916,061</b>
<b>Net assets, end of year</b>	<b>\$ 1,537,724</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,537,724</b>

*The accompanying notes are an integral part of these financial statements.*

**Pathways in Education - Louisiana, Inc.**  
**Statement of Cash Flows**

<i>For the year ended June 30,</i>	<b>2018</b>
Cash flows from operating activities	
Change in net assets	\$ 621,663
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	253,328
(Increase) decrease in Prepaid expenses	(22,610)
Increase (decrease) in Accounts payable	11,450
Accrued expenses	63,128
Net cash provided by operating activities	926,959
Cash flows from investing activities	
Purchase of property and equipment	(19,320)
Net cash used in investing activities	(19,320)
Cash flows from financing activities	
Advances from related parties	878,932
Repayments to related parties	(1,784,236)
Net cash used in financing activities	(905,304)
Net increase in cash	2,335
Cash - beginning of year	1,329,975
Cash - end of year	\$ 1,332,310
 <b>Supplemental Disclosure of Cash Flow Information</b>	
Cash paid during the period for interest	\$ 51,336

*The accompanying notes are an integral part of these financial statements.*

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pathways in Education - Louisiana, Inc. (“the Charter 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 Charter School is a Louisiana not-for-profit corporation, formed exclusively for educational purposes. On July 1, 2014, the Charter 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 Charter School opened its first campus in Shreveport for the 2014/2015 school year. The Charter School opened its second campus in Shreveport for the 2015/2016 school year.

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

A summary of the Charter School’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

***Financial Statement Presentation***

The Charter School follows the guidance of the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

***Basis of Accounting***

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the Charter School are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***Statement of Cash Flows***

For purposes of the statement of cash flows, the Charter School considers all investments purchased with an original maturity of three months or less to be cash equivalents. The Charter School did not have any cash equivalents at June 30, 2018.

***Public Support and Revenue***

The Charter School's primary source of funding is through the Minimum Foundation Program (MFP), passed through from CPSB and funded by the State Public School Fund. For the year ended June 30, 2018, the Charter School received \$4,123,829 from CPSB based on eligible students in attendance paid on a monthly basis. CPSB withheld \$82,477 for administrative expenses for the year ended June 30, 2018.

***Contributed Materials and Services***

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

***Restricted and Unrestricted Revenue and Support***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

***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.

**Pathways in Education - Louisiana, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

All assets acquired with Louisiana Department of Education funds are owned by the Charter School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Assets purchased with private funds remain the property of the Charter School.

Depreciation expense incurred for the year ended June 30, 2018, was \$253,328.

***Income Taxes***

The Charter School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School is also exempt from Louisiana state income taxes. However, income, if any, from certain activities not directly related to the Charter School's tax-exempt purpose is subject to taxation as unrelated business income.

The Charter School follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Charter School's income tax returns. Management evaluated the Charter School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance.

***Compensated Absences***

The Charter School's policy permits employees to accumulate earned but unused paid time off up to 80 hours.

***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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Advertising Costs***

Advertising costs are charged to expense when incurred. Advertising expense for the year ended June 30, 2018, was approximately \$17,501.

**Pathways in Education - Louisiana, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

***Date of Management's Review***

Management has evaluated subsequent events through December 19, 2018, the date the financial statements were available to be issued, concluding there were no events requiring disclosure.

***Recent accounting pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In March 2016, the FASB issued ASU No. 2016-08, which clarifies the implementation guidance on principal versus agent considerations. The Charter School has not yet selected a transition method and is currently evaluating the effects the standard will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Charter School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

**Pathways in Education - Louisiana, Inc.**  
**Notes to Financial Statements**

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and related notes presented by a not-for-profit entity to: (a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes, (b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes, (c) Provide enhanced disclosures in the notes to the financial statements, (d) report investment return net of external and direct internal investment expenses and (e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the Foundation for the year ending June 30, 2019. Retrospective application is required for many provisions of this guidance. The Charter School is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

**NOTE 2: CONCENTRATIONS AND CREDIT RISK**

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, 2018.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the Charter School had approximately \$1,119,500 in uninsured deposits. Management believes the risk associated with these excess deposits is minimal.

**NOTE 3: ACCRUED EXPENSES**

<b>June 30,</b>	<b>2018</b>
Payroll and benefits	\$ 134,824
Accrued compensated absences	38,577
Other	25,297
<b>Total accrued expenses</b>	<b>\$ 198,698</b>

**Pathways in Education - Louisiana, Inc.**  
**Notes to Financial Statements**

**NOTE 4: RELATED PARTY TRANSACTIONS**

Due to related parties consists of the following:

<b>June 30,</b>	<b>2018</b>
Pathways Management Group line of credit	\$ 647,816
Pathways Management Group operating advances	19,896
Pathways Management Group management fees payable	47,371
Pathways in Education, Inc.	15,452
Farm Stay Inn at BlackBird Farm	2,180
<b>Total Due to Related Parties</b>	<b>732,715</b>
<b>Less Due to Related Parties Long-Term Portion</b>	<b>(647,816)</b>
<b>Due to Related Parties Current Portion</b>	<b>\$ 84,899</b>

On March 28, 2014, the Charter School entered into a \$2,500,000 line of credit with Pathways Management Group, Inc. (PMG), a related party. PMG and the Charter 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 Charter School. Amounts advanced including interest earned, but not paid on the line of credit as of June 30, 2018, totaled \$647,816. Interest expense for the year ended June 30, 2018, related to this line of credit was \$26,398.

The Charter 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, 2018, management fee expense totaled \$611,124.

PMG paid expenses totaling \$54,393 on behalf of the Charter School during the year ended June 30, 2018. The Charter School repaid \$89,474 to PMG during the year ended June 30, 2018. At June 30, 2018, the balance due to PMG was \$19,896.

The Charter 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, 2018, totaled \$140,518.

The Charter School has entered into a special education services agreement with Prep for Success, Inc. (PFS), a related party. PFS and the Charter School share similar officers. For the years ended June 30, 2018, special education consulting expense totaled \$310.

Pathways in Education, Inc., a related party, paid expenses totaling \$180,104 on behalf of the Charter School during the year ended June 30, 2018. The Charter School repaid \$172,492 to Pathways in Education, Inc. during the year ended June 30, 2018. At June 30, 2018, the balance due to Pathways in Education, Inc. was \$15,452. Pathways in Education, Inc. and the Charter School share similar officers.

**NOTE 4: RELATED PARTY TRANSACTIONS (CONTINUED)**

The Charter School utilizes the services of Rocky Mountain Pathways, Inc. (RMP), a related party to provide activities for select students and Board retreats. RMP and the Charter School share similar officers. The Charter School has made payments totaling \$450 and recorded \$450 in expenses, during the year ended June 30, 2018.

The Charter School utilizes the services of Blackbird Farm (BBF), a related party to provide activities for select students and Board retreats. BBF and the Charter School share similar officers. The Charter School has made payments totaling \$3,909 and recorded \$2,180 in expenses, during the year ended June 30, 2018.

The Charter 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 Charter School share similar officers. The Charter School has recorded \$2,580 in contributed service revenue and expense during the year ended June 30, 2018. The fair value of the services was provided by the related party.

The Charter 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 Charter School share similar officers. The Charter School has recorded \$24,263 in contributed service revenue and expense during the year ended June 30, 2018. The fair value of the services was provided by the related party.

The Charter 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), a related party. EMS and the Charter School share similar officers. The Charter School has recorded \$269,490 in contributed service revenue and expense during the years ended June 30, 2018. The fair value of the services was provided by the related party.

The Charter School has recorded contributed service revenue and expense related to educational services that were provided by 9 Dot Educational Solutions, LLC, a related party. 9 Dot Educational Solutions, LLC and the Charter School share similar officers. The Charter School has recorded \$7 in contributed service revenue and expense during the years ended June 30, 2018. The fair value of the services was provided by the related party.

**NOTE 5: CONTRIBUTED MATERIALS AND SERVICES**

The Charter School received contributed professional consulting services and materials from related parties of \$296,340 at fair value as determined by the donors, for the year ended June 30, 2018. See Note 4.

**NOTE 6: RISK MANAGEMENT**

The Charter School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. In the opinion of management, insurance coverage is adequate to cover any material anticipated losses.

There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2018.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

*Management Agreement*

The Charter School entered into a management agreement effective July 1, 2014, with Pathways Management Group, Inc. (PMG), a California nonprofit corporation, to provide school, facilities, and financial management, and provide accounting, student achievement, reporting and human resource services. The term of the agreement is for an initial term consistent with the term of the charter contract with CPSB.

*Leasing Agreements*

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: \$125,720 (2019) and \$60,381 (2020) under these agreements subsequent to June 30, 2018.

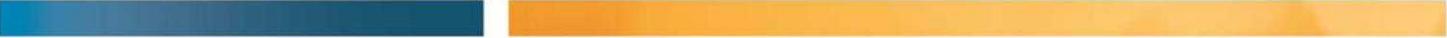
*Line of Credit*

The Charter School has entered into a \$2,500,000 line of credit with PMG. At June 30, 2018, the balance due on the line of credit, including accrued interest, was \$647,816. See Note 4.

*CPSB Contract Contingency*

The Charter School contract with CPSB was effective upon complete execution for an initial period of five years contingent upon the results of a review conducted at the end of the third year. The Charter School's contract was extended at the end of the third year for the remainder of the initial period. The initial five-year period of the charter contract ends June 30, 2019. It is unknown if the charter will be extended beyond that date. The Charter School will be evaluated through the renewal process and CPSB will determine whether or not the charter will be renewed and the length of the renewal.

## **Supplemental Information**



**Pathways in Education - Louisiana, Inc.**  
**Schedule of Compensation Paid to the Board of Trustees**  
**For the year ended June 30, 2018**

No compensation was paid to the Board of Trustees for the year ended June 30, 2018.

See Independent Auditors' Report.

**Pathways in Education - Louisiana, Inc.**  
**Schedule of Compensation, Benefits and Other Payments to Agency Head**  
**For the year ended June 30, 2018**

**Agency Head Name: Jonathan Keith**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 86,885
Benefits - insurance	17,102
Benefits - retirement	1,504
Benefits - other (incentive)	13,348
Reimbursements	1,971

See Independent Auditors' Report.

**Pathways in Education - Louisiana, Inc.  
Schedule of Findings and Responses**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Compliance and internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

N/A

**Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards***

**Current Year Findings and Responses**

None

**Section III – Findings Related to Compliance and Other Matters**

None

**Prior Year Findings**

None

**Pathways in Education - Louisiana, Inc.  
Shreveport, Louisiana**

**AGREED-UPON PROCEDURES REPORT**

**June 30, 2018**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)



Carr, Riggs & Ingram, LLC  
1000 East Preston Avenue  
Suite 200  
Shreveport, LA 71105

Mailing Address:  
P.O. Box 4278  
Shreveport, LA 71134-0278

(318) 222-2222  
(318) 226-7150 (fax)  
CRlcpa.com

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Pathways in Education – Louisiana, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of Pathways in Education – Louisiana, Inc. (“PIE-LA”) 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, 2017 through June 30, 2018. PIE-LA’s management is responsible for those C/C areas identified in the SAUPs.

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.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

1. Obtained and inspected the entity’s written policies and procedures and observed that they address each of the following categories and subcategories:

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

**Results: There are 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: There are no written policies and procedures addressing this category.**

c) ***Disbursements***, including processing, reviewing, and approving.

**Results: No exceptions were noted as a result of applying the 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.

**Results: No exceptions were noted as a result of applying the 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 the 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: There are no written policies and procedures addressing this category.**

- g) **Credit Cards**, 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.

**Results: The policy does not include allowable business uses.**

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

**Results: The policy does not include allowable expenses or dollar thresholds by category of expenses.**

- 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 annually attest through signature verification that they have read the entity's ethics policy.

**Results: There are no written policies and procedures addressing this category.**

### ***Caddo Parish Committee Board of Trustees***

- 2. Obtained and inspected the Caddo Parish Committee Board of Trustees minutes for the fiscal period, as well as the board's bylaws in effect during the fiscal period, and:

- a) Observed that the board met with a quorum on a frequency in accordance with the board's bylaws.

**Results: Meetings are not held monthly in accordance with the board's bylaws.**

- b) Observed that the minutes referenced or included financial activity relating to public funds.

**Results: One of the five meetings held during the year did not reference financial activity related to public funds.**

### ***Bank Reconciliations***

- 3. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and all additional accounts. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date;

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

- b) Bank reconciliations include evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation;

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

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

### ***Collections***

- 4. Obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Selected all deposit sites.

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

- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site. Obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location selected, and observed that job duties are properly segregated at each collection location such that:

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

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

**Results: No exceptions were noted as a result of applying the 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 to the deposit.

**Results: No exceptions were noted as a result of applying the 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 is responsible for reconciling ledger postings to each other and to the deposit.

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

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

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

- 6. Inquired 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 the procedure.**

- 7. Obtained all monthly bank statements during the fiscal period for the bank accounts selected for procedure #3 under "Bank Reconciliations" above. From the bank statements obtained, selected all

deposits of currency, money orders or third party checks. Intercompany checks and ACH deposits were not selected. Obtained supporting documentation for each of the deposits and:

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

- a) For currency deposits, observed that receipts are sequentially pre-numbered.

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

- b) Traced 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 the procedure.**

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

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

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

**Results: The procedure above was performed with one exception. The deposit was not made within one business day of receipt.**

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

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

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

8. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Select all locations.

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

9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the entity had no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

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

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

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

- b) At least two employees are involved in processing and approving payments to vendors.

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

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Results: Employees responsible for processing payments mail checks.**

10. For each location selected under #8 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:

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

- a) Observed that the disbursement matched the related original invoice/billing statement.

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

- b) Observed that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

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

#### ***Credit Cards/Debit Cards/ Fuel Cards/P-Cards***

11. Obtained from management a representation that the entity does not have credit cards, debit cards, fuel cards or P-cards.

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

#### ***Travel and Travel-Related Expense Reimbursements***

12. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly selected five reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

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

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

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

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

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

- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1g).

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

- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

#### ***Contracts***

13. Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal

period. Obtained management's representation that the listing is complete. Randomly selected five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

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

- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law if required by law.

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

- b) Observed that the contract was approved by the board, if required by policy or law.

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

- c) If the contract was amended, observed that the original contract terms provided for such an amendment.

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

- d) Randomly selected one payment from the fiscal period for each of the contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

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

### ***Payroll and Personnel***

- 14. Obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

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

- 15. Randomly selected one pay period during the fiscal period. For the five employees selected under #14 above, obtained attendance records and leave documentation for the pay period, and:

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

- a) Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

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

- b) Observed that supervisors approved the attendance and leave of the selected employees.

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

- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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

- 16. Obtained a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employees' cumulative leave records, and agreed the pay rates to the employees' authorized pay rates in the employees' personnel files.

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

- 17. Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

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

**Ethics**

18. Using the five randomly selected employees from procedure #14 under "Payroll and Personnel" above, obtained ethics documentation from management, and:

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

a) Observed that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.

**Results: There is no documentation demonstrating that each employee received an hour of ethics training in the fiscal year.**

b) Observed that the documentation demonstrates each employee attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

**Results: There is no documentation demonstrating that each employee attested to reading the ethics policy during the fiscal year.**

**Other**

19. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed 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 the procedure.**

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

**Results: As required by R.S. 24:523.1, the fraud notice is not posted on the premises or the website.**

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 those C/C areas identified in the SAUPs. 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 those C/C areas identified in the SAUPs, 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 LLA as a public document.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS, & INGRAM, LLC  
Shreveport, Louisiana  
December 19, 2018



**PATHWAYS**  
I N E D U C A T I O N

December 19, 2018

Louisiana legislative Auditor  
1600 North 2<sup>nd</sup> Street  
PO Box 94397  
Baton Rouge, LA 70804

and

Carr, Riggs & Ingram, LLC  
1000 East Preston Avenue, Suite 200  
Shreveport, LA 71105

RE: Management's Response to Agreed-Upon Procedures

Management of Pathways in Education - Louisiana, Inc. has reviewed the Independent Accountants' Report on Applying Agreed-Upon Procedures. Management is in agreement with the report as provided by Carr, Riggs & Ingram, LLC. Pathways in Education - Louisiana, Inc. will add policies and procedures and implement changes where necessary to meet the expectations identified in the report.

Pathways in Education - Louisiana, Inc.

Cynthia Harsen  
Divisional Controller