



KING OF PRUSSIA, PENNSYLVANIA

FINANCIAL STATEMENTS

JUNE 30, 2022

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8
SINGLE AUDIT INFORMATION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	17
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Recommendations	22



INDEPENDENT AUDITOR'S REPORT

February 6, 2023

To the Board Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pennsylvania Virtual Charter School, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pennsylvania Virtual Charter School as of June 30, 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pennsylvania Virtual Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

To the Board of Directors
Pennsylvania Virtual Charter School

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Virtual Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania Virtual Charter School's ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Pennsylvania Virtual Charter School

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Pennsylvania Virtual Charter School's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, on our consideration of Pennsylvania Virtual Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Pennsylvania Virtual Charter School's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,649,867	\$ 14,283,626
Accounts receivable, net	3,035,328	3,365,180
Grants receivables	3,840,779	1,661,633
Prepaid expenses	711,568	145,471
Total Current Assets	26,237,542	19,455,910
NONCURRENT ASSETS:		
Land	918,892	918,892
Buildings and improvements	4,366,579	4,376,323
Furniture and equipment	2,354,473	2,326,797
Computer equipment	3,478,107	2,865,726
Less: Accumulated depreciation	(6,815,256)	(5,044,819)
Property and Equipment, Net	4,302,795	5,442,919
Security deposits	8,250	-
TOTAL ASSETS	\$ 30,548,587	\$ 24,898,829
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 952,532	\$ 830,928
Other liabilities	2,720,980	3,605,885
Due to K-12, Inc.	675,315	537,929
Current portion of capital lease payable	41,706	241,255
Total Current Liabilities	4,390,533	5,215,997
NONCURRENT LIABILITIES:		
Capital lease payable	-	41,706
Compensated absences	211,865	179,972
Total Noncurrent Liabilities	211,865	221,678
Total Liabilities	4,602,398	5,437,675
NET ASSETS:		
Without donor restrictions	25,946,189	19,461,154
Total Net Assets	25,946,189	19,461,154
TOTAL LIABILITIES AND NET ASSETS	\$ 30,548,587	\$ 24,898,829

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
PUBLIC SUPPORT AND REVENUE				
Public support:				
Operating subsidy	\$ 50,887,768	\$ -	\$ 50,887,768	\$ 44,139,976
Federal grants	-	5,185,223	5,185,223	1,942,691
State grants	-	206,546	206,546	171,607
Other income	29,826	-	29,826	2,813,811
Total Public Support	<u>50,917,594</u>	<u>5,391,769</u>	<u>56,309,363</u>	<u>49,068,085</u>
Net assets released from restriction:				
Satisfaction of program restrictions	5,391,769	(5,391,769)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>56,309,363</u>	<u>-</u>	<u>56,309,363</u>	<u>49,068,085</u>
 EXPENSES				
Program services:				
Instruction	28,121,817	-	28,121,817	21,220,070
IDEA	638,523	-	638,523	381,001
Title I	1,265,579	-	1,265,579	860,847
Title II	116,547	-	116,547	91,872
Title IV	64,736	-	64,736	51,476
ESSER	3,099,838	-	3,099,838	557,495
Total Program Services	<u>33,307,040</u>	<u>-</u>	<u>33,307,040</u>	<u>23,162,761</u>
Support services	16,507,544	-	16,507,544	17,917,690
TOTAL EXPENSES	<u>49,814,584</u>	<u>-</u>	<u>49,814,584</u>	<u>41,080,451</u>
 OTHER FINANCING SOURCES (USES)				
Loss on disposal of fixed assets	(9,744)	-	(9,744)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,744)</u>	<u>-</u>	<u>(9,744)</u>	<u>-</u>
 CHANGE IN NET ASSETS	6,485,035	-	6,485,035	7,987,634
 NET ASSETS, BEGINNING OF YEAR	<u>19,461,154</u>	<u>-</u>	<u>19,461,154</u>	<u>11,473,520</u>
 NET ASSETS, END OF YEAR	<u>\$ 25,946,189</u>	<u>\$ -</u>	<u>\$ 25,946,189</u>	<u>\$ 19,461,154</u>

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Totals for 2021)**

	Program Services						Total Program Services	Support Services	Totals	
	Instruction	IDEA	Title I	Title II	Title IV	ESSER			2022	2021
	Salaries	\$ 6,966,884	\$ -	\$ 1,200,452	\$ 116,547	\$ 64,736			\$ 1,602,505	\$ 9,951,124
Benefits and payroll taxes	7,438,368	-	63,279	-	-	990,819	8,492,466	4,086,626	12,579,092	8,516,413
Total Salaries and Related Expenses	14,405,252	-	1,263,731	116,547	64,736	2,593,324	18,443,590	13,537,809	31,981,399	20,897,718
Advertising expense	-	-	-	-	-	-	-	844,302	844,302	890,775
Depreciation	1,545,721	-	-	-	-	-	1,545,721	243,441	1,789,162	1,166,207
Dues and fees	70	-	1,848	-	-	-	1,918	199,179	201,097	141,766
Insurance	-	-	-	-	-	-	-	71,465	71,465	55,238
Instructional software	1,493,151	-	-	-	-	399,849	1,893,000	-	1,893,000	5,280,349
Interest expense	-	-	-	-	-	-	-	19,860	19,860	112,875
Materials and books	7,305,819	-	-	-	-	-	7,305,819	-	7,305,819	1,514,836
Miscellaneous	-	-	-	-	-	-	-	56,677	56,677	10,057
Occupancy	-	-	-	-	-	-	-	379,436	379,436	72,372
Postage	2,087	-	-	-	-	-	2,087	140,501	142,588	150,013
Professional services	28,083	-	-	-	-	-	28,083	13,216	41,299	22,353
Repairs and maintenance	-	-	-	-	-	-	-	552,599	552,599	77,426
Special education services	1,746,319	638,523	-	-	-	-	2,384,842	-	2,384,842	2,473,409
Supplies and small equipment	750,832	-	-	-	-	90,905	841,737	-	841,737	181,271
Telephone and internet	829,061	-	-	-	-	15,760	844,821	282,751	1,127,572	1,074,936
Travel and entertainment	15,422	-	-	-	-	-	15,422	166,308	181,730	138,742
TOTAL EXPENSES	\$ 28,121,817	\$ 638,523	\$ 1,265,579	\$ 116,547	\$ 64,736	\$ 3,099,838	\$ 33,307,040	\$ 16,507,544	\$ 49,814,584	\$ 34,260,343

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,485,035	\$ 7,987,634
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,789,162	1,266,350
Paycheck Protection Program loan forgiveness	-	(2,727,941)
Loss on disposal of fixed assets	9,744	-
(Increase) Decrease in:		
Accounts receivable	329,852	(486,417)
Grants receivable	(2,179,146)	(658,145)
Prepaid expenses	(566,097)	64,771
Increase (Decrease) in:		
Accounts payable	121,604	(1,773,318)
Other liabilities	(884,905)	1,508,243
Due to K-12, Inc.	137,386	537,929
Compensated absences	31,893	19,875
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,274,528</u>	<u>5,738,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(658,782)	(9,035)
Security deposit (increase) decrease	(8,250)	737
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(667,032)</u>	<u>(8,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments	(241,255)	(1,798,386)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(241,255)</u>	<u>(1,798,386)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,366,241	3,849,297
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,283,626</u>	<u>10,434,329</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 18,649,867</u>	<u>\$ 14,283,626</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 19,860</u>	<u>\$ 107,503</u>
Fixed assets acquired through capital lease	<u>\$ 658,782</u>	<u>\$ 480,966</u>
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 2,727,941</u>

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 NATURE OF THE ORGANIZATION

The mission of the Pennsylvania Virtual Charter School ("the School") is to provide Pennsylvania students with an excellent education, grounded in high academic standards, which will help them achieve their full academic and social potential. The School is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Act 22 of 1997.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting.

Financial Statement Presentation

In accordance with the portion of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the School is required to present a statement of cash flows.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(a)(iv) of the Internal Revenue Code. The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Cash and Cash Equivalents

The School considers all short-term highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation is recognized over the estimated useful life of the assets utilizing the straight-line method, as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Computer equipment	3 years

Compensated Absences

School policies permit employees to accumulate earned but unused sick and vacation days. The policies limit the number of days employees may be paid out to five. The liabilities for these compensated absences are recorded as a liability in the financial statements.

Advertising Expense

The School is required to accept students from throughout the Commonwealth of Pennsylvania. Accordingly, the School advertises to ensure citizens of the Commonwealth are informed of the School's mission. The School expenses the production cost of advertising when incurred.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based upon employees' time for each function, purpose of each expenditure, and service provided for each program.

Use of Estimates in the Preparation of Financial Statements

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.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School maintains five bank accounts at TD Bank, NA. Accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2022, the carrying amount of the School's deposits totaled \$18,649,867, and the bank balance was \$19,482,628. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$19,232,628 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the School's name. However, the exposed deposits were collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consisted of the following:

Due from school districts and Pennsylvania:	
Department of Education	\$ 3,767,800
Less: Allowance for doubtful accounts	<u>(732,472)</u>
TOTAL	<u>\$ 3,035,328</u>

NOTE 5 GRANTS RECEIVABLES

Grants receivables consisted of the following at June 30, 2022:

School Health Annual Reimbursement System (SHARS)	\$ 54,458
Federal receivables	<u>3,786,321</u>
TOTAL	<u>\$ 3,840,779</u>

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Land	\$ 918,892	\$ -	\$ -	\$ 918,892
Buildings and improvements	4,376,323	-	(9,744)	4,366,579
Furniture and equipment	2,326,797	46,401	(18,725)	2,354,473
Computer equipment	2,865,726	612,381	-	3,478,107
	<u>10,487,738</u>	<u>658,782</u>	<u>-</u>	<u>11,118,051</u>
Accumulated depreciation	<u>(5,044,819)</u>	<u>(1,789,162)</u>	<u>18,725</u>	<u>(6,815,256)</u>
Total Property and Equipment, Net	<u>\$ 5,442,919</u>	<u>\$(1,130,380)</u>	<u>\$ (9,744)</u>	<u>\$ 4,302,795</u>

NOTE 7 DUE TO K-12, INC.

In June 2009, the School entered into an agreement with K-12, Inc. to provide online curricula, instructional tools, materials, and other products through June 2024. Under this agreement, the School has purchased online curricula, instructional tools, materials, and other products totaling \$9,350,900 for the year ended June 30, 2022.

K-12, Inc. is not a division or any part of the School. The School is a body corporate authorized under Pennsylvania Charter School Law and is not a division or a part of K-12, Inc. The relationship between the parties was developed and entered into through arms-length negotiations and is based solely on the terms of this agreement and those of any other agreements that may exist from time to time between the parties.

The line item "Due to K-12, Inc." shown on the statement of financial position represents amounts payable and due to K-12, Inc. for curriculum materials. The amount due as of June 30, 2022 was \$675,315.

NOTE 8 CAPITAL LEASE OBLIGATION

The School acquired \$2,384,760 of computers under a capital lease agreement with payments due yearly on July 8, commencing on July 8, 2019 and expiring on July 8, 2022. The School also acquired \$240,483 of computers under capital lease with payments due on yearly on August 1, commencing on August 1, 2021 and expiring on August 1, 2022. Additionally, the School acquired \$240,483 of computers under capital lease with payments due on yearly on November 1, commencing on November, 2020 and expiring on November 1, 2022. The leased

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 CAPITAL LEASE OBLIGATION (cont'd)

computers are depreciated over their estimated productive lives. Depreciation of the computers under the capital lease is included in depreciation expense. For the year ended June 30, 2022, the School recorded \$1,545,721 of depreciation on the computers. The table below describes the future amounts due under the lease.

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2023	\$ 41,706	\$ 3,294	\$ 45,000
	\$ 41,706	\$ 3,294	\$ 45,000

NOTE 9 SUBSCRIPTION AGREEMENT

In the current year, the School entered into a subscription agreement with Ring Central to provide monthly telephone and conferencing services. Subscription expense for the year ended June 30, 2022 was \$52,883 and is included in telephone and internet in the statement of functional expenses.

Future payments under this subscription agreement are as follows:

Year Ending June 30,	
2023	\$ 22,034
	\$ 22,034

NOTE 10 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislative-mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues an annual comprehensive financial report that includes financial statements and required

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 PENSION PLAN (cont'd)

supplementary information for the plan. A copy of the report may be obtained by writing to the Public School Employees' Retirement System, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Eligible active members contribute at 7.5 percent of their qualifying compensation. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2022, the rate of employer contribution was 34.94, allocated 33.99 percent to pensions, 0.15 percent to Act 5 defined contribution, and 0.80 percent to health insurance. The School's contribution to PSERS for the years ended June 30, 2022, 2021, and 2020 was \$6,300,508, \$5,038,506, and \$4,163,940, respectively, equal to the required contribution.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the normal course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of the School if disposed of unfavorably.

NOTE 12 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2022, economic and operational uncertainties have arisen which could impact the School in fiscal year 2023. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

Grants

The School receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the School. Management believes such disallowance, if any, would be immaterial.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 LIQUIDITY AND AVAILABILITY OF RESOURCES

The School's financial assets consist of cash and cash equivalents, accounts receivable, and grants receivable.

The following reflects the School's financial assets as of June 30, 2022, reduced by amounts not available for general use within one year of the statement of financial position date.

Financial assets, at year-end	<u>\$25,525,974</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$25,525,974</u>

The School utilizes grant funding and funding from school districts for major capital expenditures and utilizes an annual budget and, therefore, does not include depreciation expense when evaluating operating expenses for liquidity purposes. The School has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through February 6, 2023, the date the financial statements were available to be issued.

SINGLE AUDIT INFORMATION



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

February 6, 2023

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Virtual Charter School ("the School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") as a basis for designing 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 School'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.

To the Board of Directors
Pennsylvania Virtual Charter School

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

February 6, 2023

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Pennsylvania Virtual Charter School's ("the School") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the School's major federal program for the year ended June 30, 2022. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Major Federal Program

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

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence

we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Collegium Charter School

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	UNEARNED REVENUE 07/01/2021	REVENUE RECOGNIZED	EXPENDITURES	UNEARNED REVENUE 06/30/2022	AMOUNT PASSED THROUGH TO SUB-RECIPIENTS
<u>U.S. DEPARTMENT OF EDUCATION</u>											
<u>Passed through Montgomery County I.U.</u>											
IDEA	I	84.027	062-21-0000	07/01/20 - 06/30/21	\$ 381,001	\$ 381,001	\$ 381,001	\$ -	\$ -	\$ -	\$ -
IDEA	I	84.027	062-22-0035	07/01/21 - 06/30/22	638,523	517,204	-	638,523	638,523	121,319	-
Total CFDA # 84.027						898,205	381,001	638,523	638,523	121,319	-
Total IDEA						898,205	381,001	638,523	638,523	121,319	-
<u>Passed through Pennsylvania Department of Education</u>											
Elementary and Secondary School Emergency Relief Fund	I	84.425D	FA-200-20-1018	03/13/20 - 09/30/21	557,495	410,786	410,786	-	-	-	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	FA-200-21-1018	03/13/20 - 09/30/23	3,178,842	295,706	-	1,652,875	1,652,875	1,357,169	-
Total CFDA # 84.425D						706,492	410,786	1,652,875	1,652,875	1,357,169	-
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	I	84.425U	FA-200-22-1018	03/13/20 - 09/30/23	6,429,877	350,721	-	1,446,963	1,446,963	1,096,242	-
Total CFDA # 84.425U						350,721	-	1,446,963	1,446,963	1,096,242	-
Total Elementary and Secondary School Emergency Relief Fund						1,057,213	410,786	3,099,838	3,099,838	2,453,411	-
<u>Passed through Pennsylvania Department of Education</u>											
Title I Grants - Improving Basic Programs	I	84.010	013-21-1018	08/28/20 - 09/30/21	860,847	713,716	713,716	-	-	-	-
Title I Grants - Improving Basic Programs	I	84.010	013-22-1018	08/28/21 - 09/30/22	1,265,579	201,639	-	1,265,579	1,265,579	1,063,940	-
Total CFDA # 84.010						915,355	713,716	1,265,579	1,265,579	1,063,940	-
Total Title I						915,355	713,716	1,265,579	1,265,579	1,063,940	-
Title II - Improving Teacher Quality	I	84.367	020-21-1018	08/28/20 - 09/30/21	91,872	76,979	76,979	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-22-1018	08/28/21 - 09/30/22	116,547	19,768	-	116,547	116,547	96,779	-
Total CFDA # 84.367						96,747	76,979	116,547	116,547	96,779	-
Total Title II						96,747	76,979	116,547	116,547	96,779	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-21-1018	08/28/20 - 09/30/21	51,476	40,445	40,445	-	-	-	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-22-1018	08/28/21 - 09/30/22	64,736	13,864	-	64,736	64,736	50,872	-
Total CFDA # 84.424						54,309	40,445	64,736	64,736	50,872	-
Total Title IV						54,309	40,445	64,736	64,736	50,872	-
TOTAL U.S. DEPARTMENT OF EDUCATION						3,021,829	1,622,927	5,185,223	5,185,223	3,786,321	-
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 3,021,829	\$ 1,622,927	\$ 5,185,223	\$ 5,185,223	\$ 3,786,321	\$ -

SOURCE CODE:

I - Indirect Funding

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Pennsylvania Virtual Charter School. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2022, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

84.425D, 84.425U

Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.