



PAVIRTUAL

CHARTER SCHOOL

A COMMUNITY OF PARTNERSHIP, LEARNING & ACHIEVEMENT

KING OF PRUSSIA, PENNSYLVANIA

FINANCIAL STATEMENTS

JUNE 30, 2015

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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November 19, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennsylvania Virtual Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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 School'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 School'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.

To the Board of Directors
Pennsylvania Virtual Charter School

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pennsylvania Virtual Charter School as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pennsylvania Virtual Charter School's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 November 19, 2015 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pennsylvania Virtual Charter School's internal control over financial reporting and compliance.

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,128,395	\$ 4,722,550
Accounts receivable, net	3,116,037	4,111,323
Intergovernmental receivables	863,008	1,132,674
Prepaid expenses	434,983	357,015
Total Current Assets	<u>11,542,423</u>	<u>10,323,562</u>
NONCURRENT ASSETS:		
Land	918,892	918,892
Buildings and improvements	3,948,030	3,948,030
Furniture and equipment	1,765,970	1,701,627
Computer equipment	2,010,000	2,010,000
Less: Accumulated depreciation	(2,988,564)	(2,079,795)
Property and Equipment, Net	<u>5,654,328</u>	<u>6,498,754</u>
Security deposits	<u>26,398</u>	<u>22,399</u>
TOTAL ASSETS	<u><u>\$ 17,223,149</u></u>	<u><u>\$ 16,844,715</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,941,574	\$ 1,860,219
Other liabilities	430,830	728,117
Due to K-12, Inc.	689,426	722,032
Current portion of capital lease payable	670,000	670,000
Total Current Liabilities	<u>3,731,830</u>	<u>3,980,368</u>
NONCURRENT LIABILITIES		
Capital lease payable	55,833	725,833
Compensated absences	56,728	53,174
Total Noncurrent Liabilities	<u>112,561</u>	<u>779,007</u>
Total Liabilities	<u>3,844,391</u>	<u>4,759,375</u>
NET ASSETS:		
Unrestricted	13,378,758	12,015,253
Unrestricted - Board-designated for capital purchases	-	70,087
Total Net Assets	<u>13,378,758</u>	<u>12,085,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,223,149</u></u>	<u><u>\$ 16,844,715</u></u>

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Totals for 2014)**

	Unrestricted	Temporarily Restricted	Totals	
	2015	2014	2015	2014
PUBLIC SUPPORT AND REVENUE				
Public support:				
Operating subsidy	\$ 28,850,469	-	\$ 28,850,469	\$ 29,468,377
Federal grants	-	1,074,009	1,074,009	1,187,908
Other income	24,042	-	24,042	974,801
Total Public Support	<u>28,874,511</u>	<u>1,074,009</u>	<u>29,948,520</u>	<u>31,631,086</u>
Net assets released from restriction:				
Satisfaction of program restrictions	1,074,009	(1,074,009)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>29,948,520</u>	<u>-</u>	<u>29,948,520</u>	<u>31,631,086</u>
EXPENSES				
Program services:				
Instruction	16,224,394	-	16,224,394	18,874,343
Operation of noninstructional services	6,470	-	6,470	19,969
IDEA	500,883	-	500,883	517,912
School improvement	-	-	-	50,403
Title I grant	518,671	-	518,671	541,555
Title II grant	54,455	-	54,455	78,038
Total Program Services	<u>17,304,873</u>	<u>-</u>	<u>17,304,873</u>	<u>20,082,220</u>
Support services	11,350,229	-	11,350,229	10,064,805
TOTAL EXPENSES	<u>28,655,102</u>	<u>-</u>	<u>28,655,102</u>	<u>30,147,025</u>
CHANGE IN NET ASSETS	1,293,418	-	1,293,418	1,484,061
NET ASSETS, BEGINNING OF YEAR	<u>12,085,340</u>	<u>-</u>	<u>12,085,340</u>	<u>10,601,279</u>
NET ASSETS, END OF YEAR	<u>\$ 13,378,758</u>	<u>\$ -</u>	<u>\$ 13,378,758</u>	<u>\$ 12,085,340</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, 2015
(With Summarized Totals for 2014)**

	Program Services							Totals	
	Operation of Noninstructional Services			Total Program Services			Total Support Services	2015	2014
	Instruction	IDEA	Title I	Title II	Total Program Services	Total Support Services	2015	2014	
Salaries	\$ 3,482,514	-	\$ 336,395	-	\$ 3,818,909	\$ 6,187,904	\$ 10,006,813	\$ 10,671,873	
Benefits and payroll taxes	1,792,033	-	182,276	-	1,974,309	2,650,256	4,624,565	4,731,619	
Total Salaries and Related Expenses	5,274,547	-	518,671	-	5,793,218	8,838,160	14,631,378	15,403,492	
Advertising expense	-	-	-	-	-	272,418	272,418	312,430	
Depreciation	670,000	-	-	-	670,000	238,769	908,769	848,119	
Dues and fees	447	-	-	-	447	28,953	29,400	26,063	
Insurance	-	-	-	-	-	111,890	111,890	118,471	
Instructional software	4,743,282	-	-	-	4,743,282	-	4,743,282	5,200,759	
Interest expense	-	-	-	-	-	11,010	11,010	9,316	
Legal services	-	-	-	-	-	349,233	349,233	172,428	
Books and materials	2,392,937	-	-	-	2,392,937	-	2,392,937	2,524,750	
Miscellaneous	-	-	-	-	-	18,632	18,632	17,679	
Occupancy	-	-	-	-	-	280,901	280,901	314,025	
Postage	84,510	-	-	-	84,510	41,318	125,828	186,118	
Professional services	179,857	-	-	54,455	234,312	319,009	553,321	830,938	
Rental expense	7,926	-	-	-	7,926	44,863	52,789	50,423	
Repairs and maintenance	-	-	-	-	-	55,623	55,623	53,484	
Special education services	1,223,911	-	-	-	1,724,794	-	1,724,794	1,854,618	
Supplies and small equipment	1,008,086	500,883	-	-	1,008,086	278,221	1,286,307	894,672	
Telephone and internet	566,698	-	-	-	566,698	281,963	848,661	1,072,852	
Travel and entertainment	72,193	-	-	-	78,663	179,266	257,929	256,388	
TOTAL EXPENSES	\$ 16,224,394	\$ 500,883	\$ 518,671	\$ 54,455	\$ 17,304,873	\$ 11,350,229	\$ 28,655,102	\$ 30,147,025	

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,293,418	\$ 1,484,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	908,769	848,119
(Increase) Decrease in:		
Accounts receivable	995,286	29,419
Intergovernmental receivables	269,666	132,309
Prepaid expenses	(77,968)	486,854
Increase (Decrease) in:		
Accounts payable	81,355	(662,108)
Other liabilities	(297,287)	(200,035)
Due to K-12, Inc.	(32,606)	200,676
Compensated absences	3,554	(4,368)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,144,187</u>	<u>2,314,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(64,343)	(188,422)
Security deposits paid	(3,999)	7,566
NET CASH USED BY INVESTING ACTIVITIES	<u>(68,342)</u>	<u>(180,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments	(670,000)	(614,167)
NET CASH USED BY FINANCING ACTIVITIES	<u>(670,000)</u>	<u>(614,167)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,405,845	1,519,904
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,722,550</u>	<u>3,202,646</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,128,395</u>	<u>\$ 4,722,550</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 11,010</u>	<u>\$ 9,316</u>
Capital assets acquired through capital lease	<u>\$ -</u>	<u>\$ 2,010,000</u>

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 Pennsylvania Virtual Charter 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the School is required to present a statement of cash flows.

Income Tax Status

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

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the School's tax returns. Management has determined that the School does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties, and interest as a result of such challenge. Income tax returns of the School for 2012, 2013, and 2014 are subject to examination by tax authorities, generally for three years after they were filed.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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 Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its 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.

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 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. Accordingly, certain costs have been allocated among the program and supporting services benefited.

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, 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, 2015, the carrying amount of the School's deposits totaled \$7,128,395 and the bank balance was \$7,214,928. Of the bank balance \$250,000 was covered by federal depository insurance, and \$6,964,928 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, 2015 consisted of the following:

Due from school districts and Pennsylvania Department of Education	\$ 3,623,672
Other	2,377
Less: Allowance for doubtful accounts	<u>(510,012)</u>
TOTAL	<u>\$ 3,116,037</u>

PENNSYLVANIA VIRTUAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 PENSION PLAN

Plan Description

The Pennsylvania Virtual Charter 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 a comprehensive annual financial report that includes financial statements and required 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, 2015, the rate of employer contribution was 21.40, allocated 20.5 percent to pensions and 0.90 percent to health insurance. The School's contribution to PSERS for the years ended June 30, 2015, 2014, and 2013 was \$1,923,231, \$1,710,261, and \$1,411,738, 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.

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.

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

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November 19, 2015

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

We have audited, 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, the financial statements of the Pennsylvania Virtual Charter School, King of Prussia, Pennsylvania (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennsylvania Virtual Charter School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pennsylvania Virtual Charter 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.

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.

To the Board of Directors
Pennsylvania Virtual Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennsylvania Virtual Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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November 19, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the Pennsylvania Virtual Charter School's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Pennsylvania Virtual Charter School's major federal program for the year ended June 30, 2015. The Pennsylvania Virtual Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Pennsylvania Virtual Charter School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennsylvania Virtual Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Directors
Pennsylvania Virtual Charter School

Opinion on Each Major Program

In our opinion, the Pennsylvania Virtual Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Pennsylvania Virtual Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pennsylvania Virtual Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pennsylvania Virtual Charter School's internal control over compliance.

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

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

Purpose of this Report

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 OMB Circular A-133. 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, 2015**

FEDERAL GRANTOR/PROJECT TITLE U.S. DEPARTMENT OF EDUCATION	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2014	REVENUE RECOGNIZED	EXPENDI- TURES	ACCRUED (DEFERRED) REVENUE 06/30/2015
Passed through Montgomery County I.U.										
IDEA	I	84.027	062-14-0025	07/01/13 - 06/30/14	\$ 517,912	\$ 517,912	\$ 517,912	\$ -	\$ -	\$ -
IDEA	I	84.027	062-15-0025	07/01/14 - 06/30/15	500,883	-	517,912	500,883	500,883	500,883
Total CFDA #84.027						517,912	517,912	500,883	500,883	500,883
Passed through Pennsylvania Department of Education										
Title I Grants - Improving Basic Programs School Improvement	I	84.010	013-141018	10/02/13 - 09/30/14	541,555	307,349	307,349	-	-	-
Title I Grants - Improving Basic Programs	I	84.010	042-131018	07/01/13 - 09/30/14	50,403	36,962	36,962	-	-	-
Total CFDA #84.010					518,671	184,985	-	518,671	518,671	333,686
						529,296	344,311	518,671	518,671	333,686
Title II - Improving Teacher Quality	I	84.367	020-141018	10/02/13 - 09/30/14	78,038	45,205	45,205	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-151018	01/05/15 - 09/30/15	77,668	26,016	-	54,455	54,455	28,439
Total CFDA #84.367						71,221	45,205	54,455	54,455	28,439
TOTAL U.S. DEPARTMENT OF EDUCATION						1,118,429	907,428	1,074,009	1,074,009	863,008
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 1,118,429	\$ 907,428	\$ 1,074,009	\$ 1,074,009	\$ 863,008

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.

**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 No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.010

Title I

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

\$ 300,000

Auditee qualified as low-risk auditee?

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.