



KING OF PRUSSIA, PENNSYLVANIA

FINANCIAL STATEMENTS

JUNE 30, 2021

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

February 22, 2022

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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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.

To the Board of Directors
Pennsylvania Virtual Charter School

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 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 the Pennsylvania Virtual Charter School as of June 30, 2021, 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 June 30, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors
Pennsylvania Virtual Charter School

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, 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 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, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,283,626	\$ 10,434,329
Accounts receivable, net	3,365,180	2,878,763
Grants receivables	1,661,633	1,003,488
Prepaid expenses	145,471	210,242
Total Current Assets	19,455,910	14,526,822
NONCURRENT ASSETS:		
Land	918,892	918,892
Buildings and improvements	4,376,323	4,366,579
Furniture and equipment	2,326,797	2,244,506
Computer equipment	2,865,726	2,384,760
Less: Accumulated depreciation	(5,044,819)	(3,778,469)
Property and Equipment, Net	5,442,919	6,136,268
Security deposits	-	737
TOTAL ASSETS	\$ 24,898,829	\$ 20,663,827
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 830,928	\$ 2,604,246
Other liabilities	3,605,885	2,097,642
Due to K-12, Inc.	537,929	-
Current portion of capital lease payable	241,255	671,705
Total Current Liabilities	5,215,997	5,373,593
NONCURRENT LIABILITIES:		
Capital lease payable	41,706	928,676
Compensated absences	179,972	160,097
Notes payable	-	2,727,941
Total Noncurrent Liabilities	221,678	3,816,714
Total Liabilities	5,437,675	9,190,307
NET ASSETS:		
Without donor restrictions	19,461,154	11,473,520
Total Net Assets	19,461,154	11,473,520
TOTAL LIABILITIES AND NET ASSETS	\$ 24,898,829	\$ 20,663,827

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

**PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
PUBLIC SUPPORT AND REVENUE				
Public support:				
Operating subsidy	\$ 44,139,976	\$ -	\$ 44,139,976	\$ 30,847,099
Federal grants	-	1,942,691	1,942,691	1,190,348
State grants	-	171,607	171,607	177,518
Other income	2,813,811	-	2,813,811	1,143,769
Total Public Support	<u>46,953,787</u>	<u>2,114,298</u>	<u>49,068,085</u>	<u>33,358,734</u>
Net assets released from restriction:				
Satisfaction of program restrictions	2,114,298	(2,114,298)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>49,068,085</u>	<u>-</u>	<u>49,068,085</u>	<u>33,358,734</u>
 EXPENSES				
Program services:				
Instruction	21,220,070	-	21,220,070	19,344,775
IDEA	381,001	-	381,001	393,402
Title I	860,847	-	860,847	678,759
Title II	91,872	-	91,872	66,400
Title IV	51,476	-	51,476	51,787
ESSER	557,495	-	557,495	-
Total Program Services	<u>23,162,761</u>	<u>-</u>	<u>23,162,761</u>	<u>20,535,123</u>
Support services	17,917,690	-	17,917,690	13,725,220
TOTAL EXPENSES	<u>41,080,451</u>	<u>-</u>	<u>41,080,451</u>	<u>34,260,343</u>
 CHANGE IN NET ASSETS	7,987,634	-	7,987,634	(901,609)
 NET ASSETS, BEGINNING OF YEAR	<u>11,473,520</u>	<u>-</u>	<u>11,473,520</u>	<u>12,375,129</u>
 NET ASSETS, END OF YEAR	<u>\$ 19,461,154</u>	<u>\$ -</u>	<u>\$ 19,461,154</u>	<u>\$ 11,473,520</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, 2021
(With Summarized Totals for 2020)**

	Program Services						Total Program Services	Support Services	Totals	
	Instruction	IDEA	Title I	Title II	Title IV	ESSER			2021	2020
	Salaries	\$ 5,447,578	\$ -	\$ 816,206	\$ 91,872	\$ 51,476			\$ 225,656	\$ 6,632,788
Benefits and payroll taxes	4,513,425	-	42,958	-	-	-	4,556,383	5,778,858	10,335,241	8,516,413
Total Salaries and Related Expenses	9,961,003	-	859,164	91,872	51,476	225,656	11,189,171	15,159,945	26,349,116	20,897,718
Advertising expense	-	-	-	-	-	-	-	865,738	865,738	890,775
Depreciation	1,026,541	-	-	-	-	-	1,026,541	239,809	1,266,350	1,166,207
Dues and fees	3,796	-	1,683	-	-	-	5,479	173,707	179,186	141,766
Insurance	-	-	-	-	-	-	-	69,355	69,355	55,238
Instructional software	5,600,282	-	-	-	-	261,958	5,862,240	-	5,862,240	5,280,349
Interest expense	-	-	-	-	-	-	-	107,503	107,503	112,875
Legal services	-	-	-	-	-	-	-	2,160	2,160	-
Materials and books	1,973,692	-	-	-	-	-	1,973,692	-	1,973,692	1,514,836
Miscellaneous	-	-	-	-	-	-	-	60	60	10,057
Occupancy	-	-	-	-	-	-	-	431,254	431,254	72,372
Postage	10,345	-	-	-	-	-	10,345	162,943	173,288	150,013
Professional services	27,787	-	-	-	-	-	27,787	13,076	40,863	22,353
Rental expense	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	115,372	115,372	77,426
Special education services	2,166,482	381,001	-	-	-	-	2,547,483	-	2,547,483	2,473,409
Supplies and small equipment	143,803	-	-	-	-	59,556	203,359	-	203,359	181,271
Telephone and internet	302,083	-	-	-	-	10,325	312,408	517,472	829,880	1,074,936
Travel and entertainment	4,256	-	-	-	-	-	4,256	59,296	63,552	138,742
TOTAL EXPENSES	\$ 21,220,070	\$ 381,001	\$ 860,847	\$ 91,872	\$ 51,476	\$ 557,495	\$ 23,162,761	\$ 17,917,690	\$ 41,080,451	\$ 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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,987,634	\$ (901,609)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,266,350	1,166,207
Paycheck Protection Program loan forgiveness	(2,727,941)	-
(Increase) Decrease in:		
Accounts receivable	(486,417)	882,461
Grants receivable	(658,145)	(37,490)
Prepaid expenses	64,771	85,650
Increase (Decrease) in:		
Accounts payable	(1,773,318)	310,275
Other liabilities	1,508,243	294,340
Due to K-12, Inc.	537,929	(607,639)
Compensated absences	19,875	46,167
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,738,981</u>	<u>1,238,362</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(92,035)	(54,321)
Security deposits refunded	737	12,490
NET CASH USED BY INVESTING ACTIVITIES	<u>(91,298)</u>	<u>(41,831)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	2,727,941
Capital lease payments	(1,798,386)	(784,379)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(1,798,386)</u>	<u>1,943,562</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,849,297	3,140,093
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,434,329</u>	<u>7,294,236</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 14,283,626</u>	<u>\$ 10,434,329</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 107,503</u>	<u>\$ 112,875</u>
Capital assets acquired through capital lease	<u>\$ 480,966</u>	<u>\$ 2,384,760</u>
Paycheck Protection Program loan forgiveness	<u>\$ 2,727,941</u>	<u>\$ -</u>

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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, 2020, 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, 2021, the carrying amount of the School's deposits totaled \$14,283,626, and the bank balance was \$14,705,708. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$14,455,708 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, 2021 consisted of the following:

Due from school districts and Pennsylvania:	
Department of Education	\$ 4,097,652
Less: Allowance for doubtful accounts	<u>(732,472)</u>
TOTAL	<u>\$ 3,365,180</u>

NOTE 5 GRANTS RECEIVABLES

Grants receivables consisted of the following at June 30, 2021:

School Health Annual Reimbursement System (SHARS)	\$ 38,706
Federal receivables	<u>1,622,927</u>
TOTAL	<u>\$ 1,661,633</u>

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PROPERTY AND EQUIPMENT

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Land	\$ 918,892	\$ -	\$ -	\$ 918,892
Buildings and improvements	4,366,579	9,744	-	4,376,323
Furniture and equipment	2,244,506	82,291	-	2,326,797
Computer equipment	2,384,760	480,966	-	2,865,726
	9,914,737	573,001	-	10,487,738
Accumulated depreciation	(3,778,469)	(1,266,350)	-	(5,044,819)
Total Property and Equipment, Net	<u>\$ 6,136,268</u>	<u>\$ (693,349)</u>	<u>\$ -</u>	<u>\$ 5,442,919</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 \$5,702,116 for the year ended June 30, 2021.

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, 2021 was \$537,929.

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 \$480,966 of computers under capital lease with payments due on yearly on August 1, commencing on August 1, 2021 and expiring on August 1, 2022. The leased

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the School recorded \$784,379 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
2022	\$ 241,255	\$ 34,607	\$ 275,862
2023	41,706	3,294	45,000
	\$ 282,961	\$ 37,901	\$ 320,862

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, 2021 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,	
2022	\$ 52,883
2023	22,034
	\$ 74,917

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, 2021

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, 2021, the rate of employer contribution was 34.51, allocated 33.51 percent to pensions, 0.18 percent to Act 5 defined contribution, and 0.82 percent to health insurance. The School's contribution to PSERS for the years ended June 30, 2021, 2020, and 2019 was \$5,038,506, \$4,163,940, and \$3,636,351, 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, 2021, economic and operational uncertainties have arisen which could impact the School in fiscal year 2022. 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, 2021

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, 2021, reduced by amounts not available for general use within one year of the statement of financial position date.

Financial assets, at year-end	<u>\$19,310,439</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$19,310,439</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 PAYCHECK PROTECTION PROGRAM LOAN

On April 23, 2020, the School was granted a loan ("the Loan") from TD Bank in the aggregate amount of (\$2,723,402), pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020. During the year ended June 30, 2020, the School accrued interest of \$4,539 on the loan.

The Loan, which was in the form of a Note dated April 23, 2020 issued by the School, matures on April 23, 2022 and bears interest at a rate of one percent per annum, payable monthly installments. If the School fails to apply for loan forgiveness or if partial forgiveness is granted, the School will be obligated to repay the Lender the principal sum which remains outstanding, including principal and accrued interest, on a payment schedule to be provided by the Lender. The outstanding principal and all accrued and unpaid interest thereon shall be due and payable on April 23, 2022.

The loan was forgiven in full (including interest) on June 16, 2021. The total forgiven amount was \$2,723,402. Accrued interest was not included in the forgiveness amount, but was written off by the School upon forgiveness.

NOTE 15 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through February 22, 2022, 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 22, 2022

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, 2021, 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 22, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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



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

February 22, 2022

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 ("the School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

To the Board of Directors
Pennsylvania Virtual Charter School

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

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 each major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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 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, 2021**

<u>FEDERAL GRANTOR/PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>GRANT AMOUNT</u>	<u>TOTAL RECEIVED FOR YEAR</u>	<u>ACCRUED REVENUE 07/01/2020</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED REVENUE 06/30/2021</u>	<u>AMOUNT PASSED THROUGH TO SUB-RECIPIENTS</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>											
<u>Passed through Montgomery County I.U.</u>											
IDEA	I	84.027	062-20-0023	07/01/19 - 06/30/20	\$ 393,402	\$ 393,402	\$ 393,402	\$ -	\$ -	\$ -	\$ -
IDEA	I	84.027	062-21-0000	07/01/20 - 06/30/21	381,001	-	-	381,001	381,001	381,001	-
Total CFDA # 84.027						<u>393,402</u>	<u>393,402</u>	<u>381,001</u>	<u>381,001</u>	<u>381,001</u>	<u>-</u>
Total IDEA						<u>393,402</u>	<u>393,402</u>	<u>381,001</u>	<u>381,001</u>	<u>381,001</u>	<u>-</u>
<u>Passed through Pennsylvania Department of Education</u>											
CARES ACT I - ESSER FUND	I	84.425D	FA-200-20-1018	03/13/20 - 09/30/21	557,495	146,709	-	557,495	557,495	410,786	-
Total CARES ACT I - ESSER FUND						<u>146,709</u>	<u>-</u>	<u>557,495</u>	<u>557,495</u>	<u>410,786</u>	<u>-</u>
<u>Passed through Pennsylvania Department of Education</u>											
Title I Grants - Improving Basic Programs	I	84.010	013-20-1018	08/19/19 - 09/30/20	678,759	484,676	484,676	-	-	-	-
Title I Grants - Improving Basic Programs	I	84.010	013-21-1018	08/28/20 - 09/30/21	860,847	147,131	-	860,847	860,847	713,716	-
Total CFDA # 84.010						<u>631,807</u>	<u>484,676</u>	<u>860,847</u>	<u>860,847</u>	<u>713,716</u>	<u>-</u>
Total Title I						<u>631,807</u>	<u>484,676</u>	<u>860,847</u>	<u>860,847</u>	<u>713,716</u>	<u>-</u>
Title II - Improving Teacher Quality	I	84.367	020-20-1018	08/19/19 - 09/30/20	66,400	46,276	46,276	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-21-1018	08/28/20 - 09/30/21	91,872	14,893	-	91,872	91,872	76,979	-
Total CFDA # 84.367						<u>61,169</u>	<u>46,276</u>	<u>91,872</u>	<u>91,872</u>	<u>76,979</u>	<u>-</u>
Total Title II						<u>61,169</u>	<u>46,276</u>	<u>91,872</u>	<u>91,872</u>	<u>76,979</u>	<u>-</u>
Title IV - Student Support & Academic Enrichment	I	84.424	144-20-1018	08/19/19 - 09/30/20	51,787	36,991	36,991	-	-	-	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-21-1018	08/28/20 - 09/30/21	51,476	11,031	-	51,476	51,476	40,445	-
Total CFDA # 84.424						<u>48,022</u>	<u>36,991</u>	<u>51,476</u>	<u>51,476</u>	<u>40,445</u>	<u>-</u>
Total Title IV						<u>48,022</u>	<u>36,991</u>	<u>51,476</u>	<u>51,476</u>	<u>40,445</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>1,281,109</u>	<u>961,345</u>	<u>1,942,691</u>	<u>1,942,691</u>	<u>1,622,927</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS						<u>\$ 1,281,109</u>	<u>\$ 961,345</u>	<u>\$ 1,942,691</u>	<u>\$ 1,942,691</u>	<u>\$ 1,622,927</u>	<u>\$ -</u>

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, 2021, 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 _____ 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 the Uniform Guidance?

_____ Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants - Improving Basic Programs
84.425D	Elementary and Secondary School Emergency Relief Fund

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.