

AGORA CYBER CHARTER SCHOOL

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Table of Contents 1

FINANCIAL SECTION

Independent Auditors' Report 2

Management's Discussion and Analysis (Unaudited)..... 4

Basic Financial Statements

Governmental Fund Balance Sheet/Statement of Net Position 8

Governmental Fund Statement of Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities 9

Notes to the Basic Financial Statements 10

Required Supplementary Information

Budgetary Comparison Schedule 21

Notes to the Required Supplementary Information 22

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 23

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 25

SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Schedule of Expenditures of Federal Awards 27

Notes to the Schedule of Expenditures of Federal Awards 28

Schedule of Findings and Questioned Costs 29

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Trustees
Agora Cyber Charter School
Wayne, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the major Governmental Fund of the Agora Cyber Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agora Cyber Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major Governmental Fund of the Agora Cyber Charter School as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Trustees
Agora Cyber Charter School
Wayne, Pennsylvania

Emphasis of Matter

As discussed in Note M to the financial statements, for the year ended June 30, 2013, the Agora Cyber Charter School adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 and budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agora Cyber Charter School's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 March 5, 2014, on our consideration of the Agora Cyber 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 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 Agora Cyber Charter School's internal control over financial reporting and compliance.



Oaks, Pennsylvania
March 5, 2014

AGORA CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

The Board of Trustees of the Agora Cyber Charter School (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Governmental Activities

- Total revenues increased by \$18,591,571 due to a 15% increase in the student population from fiscal year 2012.
- The School's total assets exceeded total liabilities as of June 30, 2013 by \$7,268,388. This balance was the result of a \$(5,189,076) deficit in revenue over expenditures for the year ended June 30, 2013.
- The School's cash balance at June 30, 2013, was \$8,781,823 representing an increase of \$811,080 from June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: Management's Discussion and Analysis (this section), the basic financial statements and supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

AGORA CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has only one fund type, the Governmental General Fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The General Fund budgetary comparison schedule is presented for purposes of additional analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Management has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which requires a comparative analysis of current and prior periods.

Statements of Net Position
June 30, 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 30,471,135	\$ 35,737,621
Capital assets, net	86,362	92,831
TOTAL ASSETS	<u>30,557,497</u>	<u>35,830,452</u>
 LIABILITIES	 <u>23,289,109</u>	 <u>23,372,988</u>
 NET POSITION	 <u>\$ 7,268,388</u>	 <u>\$ 12,457,464</u>

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, assets exceed liabilities by \$7,268,388 as of June 30, 2013, a decrease of \$(5,189,076) from June 30, 2012.

AGORA CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Statements of Activities
Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
REVENUES		
Program revenues		
Local educational agency assistance	\$ 112,092,250	\$ 95,353,911
State sources	1,848,623	837,773
Federal sources	<u>3,972,887</u>	<u>3,130,505</u>
TOTAL REVENUES	<u>117,913,760</u>	<u>99,322,189</u>
EXPENDITURES		
Instruction	78,650,205	59,101,737
Support services	<u>44,452,631</u>	<u>33,609,160</u>
TOTAL EXPENDITURES	<u>123,102,836</u>	<u>92,710,897</u>
 CHANGE IN NET POSITION	 (5,189,076)	 6,611,292
 NET POSITION, BEGINNING	 <u>12,457,464</u>	 <u>5,846,172</u>
 NET POSITION, ENDING	 <u>\$ 7,268,388</u>	 <u>\$ 12,457,464</u>

The School's revenues are predominately local area school district's funds based on the student enrollment. For the year ended June 30, 2013, the School's total expenditures of \$123,102,836 exceeded total revenues of \$117,913,760 by \$5,189,076. In the previous year, revenues exceeded expenditures by \$6,611,292.

FUND FINANCIAL ANALYSIS

Governmental Fund

The focus of the School's Governmental Fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's Governmental Fund (the General Fund) reported an ending fund balance of \$7,182,026, of which \$5,550,861 has been assigned for future PSERS contributions, future lease payments beyond the current charter and future potential legal expenses. These amounts represent the segregation of a portion of the fund balance for future PSERS rate changes, committed payments and financial risks and are therefore, not available for appropriations. The unassigned fund balance equates to 1.3% of the total General Fund expenditures.

AGORA CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2013

Budget Variations

The School's budgeted revenue and other financing sources were based on a budgeted average enrollment of 11,926, in the amount of \$127,827,347. The actual revenues were below budgeted revenues by \$9,913,587, with an actual average enrollment of 10,521, which was 1,405 students lower than expected.

Actual expenditures were below budgeted expenditures in the amount of \$3,532,412, due mainly to the decreased support needed to support the 1,405 average enrollments under the budgeted number of students.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the School's investment in capital assets for its governmental activities totaled \$86,362 (net of accumulated depreciation). This investment in capital assets for fiscal year 2012-2013 consisted of office equipment and computer hardware.

Additional information on the School's capital assets can be found in Note H of this report.

Long-Term Debt

The School does not have any long-term liabilities at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Though the cyber charter school concept is now widely-accepted as an alternative to the traditional brick and mortar model, the issue concerning how cyber charter schools are funded will likely be a continual discussion point in the foreseeable future. Most recent proposed legislation includes additional exclusions to Pennsylvania Department of Education's 363 Form, "School Districts Calculation of Selected Expenditures Per Average Daily Membership," which would lower the amount per student a charter school could receive. The rapid growth also leads to burdens on administration to increase staff, educational programs, support services to meet student needs and demand. For fiscal year 2013-2014, the School's primary source of revenue, the per student subsidy provided by the local school districts, is budgeted to increase by \$8,350,996 due to projected increased enrollment from 10,521 to 11,538 students.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

Although the School has seen a significant increase each year in enrollment, the extreme growth seen in fiscal year 2011-2012 is unlikely to continue. The School's solid financial position is expected to help manage the variances in enrollment from one year to the next.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Head of School, Agora Cyber Charter School, 995 Old Eagle School Road, Suite 315, Wayne, PA 19087.

AGORA CYBER CHARTER SCHOOL

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

June 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note D)</u>	<u>Statement of Net Position</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 8,781,823	\$ -	\$ 8,781,823
State subsidies receivable	559,444	-	559,444
Federal subsidies receivable	924,971	-	924,971
Local receivables	20,122,560	-	20,122,560
Other current assets	53,489	-	53,489
Prepaid expenses	<u>28,848</u>	<u>-</u>	<u>28,848</u>
TOTAL CURRENT ASSETS	30,471,135	-	30,471,135
CAPITAL ASSETS, net	<u>-</u>	<u>86,362</u>	<u>86,362</u>
TOTAL ASSETS	<u>\$ 30,471,135</u>	<u>\$ 86,362</u>	<u>\$ 30,557,497</u>
LIABILITIES AND FUND BALANCE/NET POSITION			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 23,083,238	\$ -	\$ 23,083,238
Unearned revenue	<u>205,871</u>	<u>-</u>	<u>205,871</u>
TOTAL CURRENT LIABILITIES	<u>23,289,109</u>	<u>-</u>	<u>23,289,109</u>
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable	28,848	(28,848)	-
Assigned			
Falls learning center lease payments	1,563,681	(1,563,681)	-
PSERS commitment	3,487,180	(3,487,180)	-
Potential legal expenses	500,000	(500,000)	-
Unassigned	<u>1,602,317</u>	<u>(1,602,317)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>7,182,026</u>	<u>(7,182,026)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,471,135</u>		
Net position			
Net investment in capital assets		86,362	86,362
Unrestricted		<u>7,182,026</u>	<u>7,182,026</u>
TOTAL NET POSITION		<u>7,268,388</u>	<u>7,268,388</u>
TOTAL LIABILITIES AND NET POSITION		<u>\$ 86,362</u>	<u>\$ 30,557,497</u>

See accompanying notes to the basic financial statements.

AGORA CYBER CHARTER SCHOOL
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note D)</u>	<u>Statement of Activities</u>
REVENUES			
Program revenues			
Local educational agency assistance	\$ 112,092,250	\$ -	\$ 112,092,250
State sources	1,848,623	-	1,848,623
Federal sources	<u>3,972,887</u>	<u>-</u>	<u>3,972,887</u>
TOTAL REVENUES	<u>117,913,760</u>	<u>-</u>	<u>117,913,760</u>
EXPENDITURES			
Instruction	78,650,205	-	78,650,205
Support services	44,371,677	80,954	44,452,631
Capital outlay	74,485	(74,485)	-
TOTAL EXPENDITURES	<u>123,096,367</u>	<u>6,469</u>	<u>123,102,836</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES/CHANGE IN FUND BALANCE	(5,182,607)	5,182,607	-
CHANGE IN NET POSITION	-	(5,189,076)	(5,189,076)
FUND BALANCE/NET POSITION AT BEGINNING OF YEAR	<u>12,364,633</u>	<u>92,831</u>	<u>12,457,464</u>
FUND BALANCE/NET POSITION AT END OF YEAR	<u>\$ 7,182,026</u>	<u>\$ 86,362</u>	<u>\$ 7,268,388</u>

See accompanying notes to the basic financial statements.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE A ORGANIZATION

The Agora Cyber Charter School (the "School") is organized as a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School operates a cyber charter school in Wayne, Pennsylvania, under an approved charter received from the Pennsylvania Department of Education, acting pursuant to authority conferred under Act 88. The School's initial operations began on July 1, 2005.

The mission of the Agora Cyber Charter School is to provide an innovative, intense academic preparation that inspires and educates students to achieve the highest levels of academic knowledge and skills and develop proficiency in the design and use of new computer technologies and scientific research. Through a combination of computer-supported instruction in the home, face-to-face meetings and video conferencing with a certified teacher, specifically tailored research-based curriculum and access to a community of experts in science and technology, our students will be fully prepared to be leaders in the digital age.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

The School presents the General Fund as its major Governmental Fund. The General Fund is used for general operating purposes of the School. The General Fund accounts for all financial resources.

Financial Statement Presentation and Measurement Focus

The government-wide financial statements--the statement of net position and the statement of activities--report on the School as a whole. The statement of net position reports net position in one of three components: (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets; (2) net position is reported as restricted on the government-wide statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and (3) unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted for specific purposes." The statement of activities presents a comparison between the direct expenses and revenues of each function of the School's activities. Revenues that are not classified as program revenues, including statutory funding from state and local governments, are presented as general revenues. These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recorded when earned, and expenses are recorded when the liability is incurred.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Governmental Fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on the major Governmental Fund, which is the School's General Fund. These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenses generally are recorded when the liability is incurred, as under accrual accounting, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in the General Fund.

Budgetary Data

An annual budget is adopted for the General Fund using the modified accrual basis of accounting. The budgetary comparison schedule of the General Fund presents the budget filed with and accepted by the Pennsylvania Department of Education as its budgeted amounts. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The School reviews and authorizes a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Trustees.
4. The budget must be filed with the Pennsylvania Department of Education by July 31.

The budget is controlled by the School's Business Administrator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. The Board of Trustees may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

As part of the formal budgetary control, purchase orders, contracts and other commitments from the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for the Governmental Fund. A reserve for encumbrances is not reported on the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Investments with an original maturity of three months or less at the time they are purchased by the School are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School defines a capital asset as an asset with an initial individual cost equal to or greater than \$1,000 and must also have an estimated useful life in excess of one year. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life is not.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	7-9
Computer software	1-3
Computer hardware	3-5

Accrued Liabilities and Long-Term Obligations

All payables are reported on the government-wide financial statements. In general, Governmental Fund payables that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

Unearned Revenue

Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Fund balance sheet and revenue is recognized.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

Net Position Flow Assumption

Sometimes the School will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

Beginning with the year ended June 30, 2011, the School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the School through formal action of the highest level of decision-making authority and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- ***Unassigned Fund Balance*** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

The Trustees establish (and modify or rescind) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the School for specific purposes but does not meet the criteria to be classified as restricted or committed.

Funding

The School is funded primarily from the local school district in which a student resides by receiving an amount equal to the calculation of selected expenditures per average daily membership for each child attending the School. Funding is recognized as revenue as it is earned. The rate of funding per student is determined on an annual basis. The Commonwealth of Pennsylvania makes contributions on behalf of the School for the employer's share of retirement payments and social security payments.

Income Tax

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The School believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The School's federal Return of Organization Exempt From Income Tax (Form 990) for tax years 2009, 2010 and 2011 is subject to examination by the IRS, generally for three years after the tax returns were filed. There are currently no audits in progress for any tax periods.

NOTE C DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a policy in place for custodial credit risk. As of June 30, 2013, \$10,035,411 of the School's bank balance of \$10,285,411 was exposed to custodial credit risk.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE D RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the School's Governmental Fund differs from net position and changes in net position of the governmental activities reported in the statement of net position and statement of activities. This difference primarily results from the long-term economic focus of the statement of net position and statement of activities versus the current financial resources focus of the Governmental Fund balance sheet and statement of revenues, expenditures and changes in fund balance.

The following are reconciliations of fund balance to net position and the net change in fund balance to the net change in net position:

TOTAL FUND BALANCE--MODIFIED ACCRUAL BASIS	\$ 7,182,026
Amount reported in the statement of net position is different because:	
Capital assets are not financial resources and are not reported in the Governmental Fund statements	<u>86,362</u>
NET POSITION--FULL ACCRUAL BASIS	<u>\$ 7,268,388</u>
NET CHANGE IN FUND BALANCE--MODIFIED ACCRUAL BASIS	\$ (5,182,607)
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenses in the statement of revenues, expenditures and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital assets	74,485
Depreciation	<u>(80,954)</u>
CHANGE IN NET POSITION--FULL ACCRUAL BASIS	<u>\$ (5,189,076)</u>

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE E COMMITMENTS AND CONTINGENCIES

Educational Products and Services Agreement

On July 1, 2010, the School entered into an agreement with K12 Pennsylvania, LLC to provide educational products and administrative and technology services to the School. The agreement is effective until June 30, 2015. Fees consist of the following:

- Administrative services fee - 15% of qualified gross revenues and public contributions and grants for the first 7,000 students, 14% for the next 1,000 students and 13% thereafter.
- Technology services fee - 7% of qualified gross revenues and public contributions and grants.
- Other products and services fees as noted in the management agreement.

Fees charged by K12 Pennsylvania, LLC for the year ended June 30, 2013, were as follows:

Technology services fee	\$	8,119,375
Administrative services fee		16,715,976
Other K12 products and services for online school, student materials and student computers		42,439,395

NOTE F RECEIVABLES

Receivables as of June 30, 2013, consist primarily of subsidies from federal, state and local authorities. All receivables are considered by management to be fully collectible, and no allowance for doubtful accounts has been recorded.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE G LEASES

Operating Lease

In December 2009, the School entered into a 66-month lease for its Wayne location with GPX Wayne Office Properties, L.P. On December 1, 2010, the School entered into a ten-year lease for 13,335 square feet of flexible space in a portion of a building at 3300 Henry Avenue, Philadelphia, Pennsylvania, to be used as a drop-in learning center for residents of Southeastern Pennsylvania.

In July 2012, the School leased an additional 7,733 square feet of office space at the Wayne location as an amendment to the original lease that expires June 30, 2015.

In addition, on November 28, 2012, the School entered into a six-month lease with GPX Wayne Office Properties, L.P. for additional temporary space for its Wayne location. This lease expired on May 31, 2013.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 590,454
2015	601,596
2016	279,310
2017	286,991
2018	294,883
2019 to 2020	<u>430,663</u>
	<u>\$ 2,483,897</u>

Rent expense for the year ended June 30, 2013, was \$564,878.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE H CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Leasehold improvements	\$ 19,273	\$ -	\$ -	\$ 19,273
Computer equipment	201,969	5,365	(85,491)	121,843
Computer software	2,360	-	(2,360)	-
Office equipment	47,700	69,120	-	116,820
	<u>271,302</u>	<u>74,485</u>	<u>(87,851)</u>	<u>257,936</u>
Accumulated depreciation	<u>(178,471)</u>	<u>(80,954)</u>	<u>87,851</u>	<u>(171,574)</u>
	<u>\$ 92,831</u>	<u>\$ (6,469)</u>	<u>\$ -</u>	<u>\$ 86,362</u>

Depreciation expense for the year ended June 30, 2013, was \$80,954 and was charged to support services in the statement of activities.

NOTE I UNEARNED REVENUE

During the year ended June 30, 2007, the School received \$205,500 in federal funding from a charter school implementation grant. As of June 30, 2013, management was not able to determine whether the funds have been spent, and, accordingly, the amount has been recorded as unearned revenue. To the best of its knowledge, outside counsel has advised management that any pending claims related to the implementation grant remain outstanding. Additionally, in 2012, the School received \$500 from Pediatric Dental Associates, of which \$371 was not spent as of June 30, 2013, and was, therefore, recorded as unearned revenue.

NOTE J RETIREMENT PLAN

Schools in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School, the state and the employee. All full-time employees of the School and part-time employees who meet certain minimum employment requirements participate in the program.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer 401(a) defined-benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-9102).

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the publications page of the PSERS website, www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% for healthcare insurance premium assistance.

The School's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was \$3,238,510, \$1,708,676 and \$687,136, respectively, equal to the required contribution for each year.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE K GRANTS

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013, may be impaired. With the exception of Note E, in the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE L RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past two years.

NOTE M CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2013, the Agora Cyber Charter School has adopted Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which state that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred.

NOTE N ECONOMIC DEPENDENCY

School revenue that constitutes in excess of 10% of total revenues is comprised of the following:

Local educational agency assistance..... 95%

REQUIRED SUPPLEMENTARY INFORMATION

AGORA CYBER CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES			
Program revenues			
Local educational agency assistance	\$ 124,557,584	\$ 112,092,250	\$ (12,465,334)
State sources	1,477,136	1,848,623	371,487
Federal sources	<u>1,792,627</u>	<u>3,972,887</u>	<u>2,180,260</u>
TOTAL REVENUES	<u>127,827,347</u>	<u>117,913,760</u>	<u>(9,913,587)</u>
EXPENDITURES			
Instruction	78,735,496	78,650,205	85,291
Support services	47,851,283	44,371,677	3,479,606
Non-instructional services	<u>42,000</u>	<u>74,485</u>	<u>(32,485)</u>
TOTAL EXPENDITURES	<u>126,628,779</u>	<u>123,096,367</u>	<u>3,532,412</u>
NET CHANGE IN FUND BALANCE	1,198,568	(5,182,607)	(6,381,175)
FUND BALANCE AT BEGINNING OF YEAR	<u>12,364,633</u>	<u>12,364,633</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,563,201</u>	<u>\$ 7,182,026</u>	<u>\$ (6,381,175)</u>

See accompanying notes to the required supplementary information.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

NOTE A BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, as applied to governmental units. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures were funded by various functions that were under budget in the General Fund and fund balance carried over from the prior year.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
Agora Cyber Charter School
Wayne, 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 governmental activities and the major Governmental Fund of the Agora Cyber Charter School as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agora Cyber Charter School's basic financial statements and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agora Cyber 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agora Cyber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agora Cyber Charter 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting 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 Trustees
Agora Cyber Charter School
Wayne, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agora Cyber 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oaks, Pennsylvania
March 5, 2014

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees
Agora Cyber Charter School
Wayne, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Agora Cyber Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Agora Cyber Charter School's major federal programs for the year ended June 30, 2013. The Agora Cyber Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agora Cyber Charter 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 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 Agora Cyber 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 each major federal program. However, our audit does not provide a legal determination of the Agora Cyber Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agora Cyber 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 of its major federal programs for the year ended June 30, 2013.

To the Board of Trustees
Agora Cyber Charter School
Wayne, Pennsylvania

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agora Cyber 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 Agora Cyber 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 as a basis for designing 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 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 Agora Cyber 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. 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.



Oaks, Pennsylvania
March 5, 2014

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

AGORA CYBER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
Title I Improving Basic Programs	84.010	013-121057	July 1, 2011 to September 30, 2012	\$ 1,706,578	\$ 97,015	\$ 97,015	\$ -	\$ -	\$ -
Title I Improving Basic Programs	84.010	013-131057	July 1, 2012 to September 30, 2013	3,189,025	2,370,348	-	2,578,270	2,578,270	207,922
Title I Improving Basic Programs	84.010	042-121057	April 13, 2012 to September 30, 2013	38,436	38,436	-	38,436	38,436	-
Title II Improving Teacher Quality	84.367	020-131057	July 1, 2012 to September 30, 2013	65,177	61,370	-	65,177	65,177	3,807
Passed through the Chester County Intermediate Unit									
IDEA-B	84.027	062-1200024	July 1, 2011 to June 30, 2012	771,836	239,140	239,140	-	-	-
IDEA-B	84.027	062-1200024	July 1, 2012 to June 30, 2013	1,268,669	555,427	-	1,268,669	1,268,669	713,242
IDEA 619	84.027	131-110024B	July 1, 2011 to June 30, 2012	1,515	<u>1,515</u>	<u>-</u>	<u>1,515</u>	<u>1,515</u>	<u>-</u>
TOTAL FEDERAL AWARDS					\$ 3,363,251	\$ 336,155	\$ 3,952,067	\$ 3,952,067	\$ 924,971

See accompanying notes to the schedule of expenditures of federal awards.

AGORA CYBER CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
Year Ended June 30, 2013

NOTE A GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the School. The School's reporting entity is defined in Note B to the School's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note B.

AGORA CYBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Agora Cyber Charter School.
2. No instances of significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Agora Cyber Charter School were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major awards programs for the Agora Cyber Charter School expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Program	CFDA
Title I Cluster	84.010

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. The Agora Cyber Charter School was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.