

**Agora Cyber Charter School**  
**Financial Statements**  
**And**  
**Independent Auditors' Report**  
**Year Ended June 30, 2007**

**Agora Cyber Charter School**  
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**Year Ended June 30, 2007**

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**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Agora Cyber Charter School (the School), as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agora Cyber Charter School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 fund of Agora Cyber Charter School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011 on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison schedule as listed in the table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Siegal & Drossner, P.C.*

Certified Public Accountants  
Elkins Park, Pennsylvania

June 13, 2011

# Agora Cyber Charter School Management's Discussion and Analysis June 30, 2007

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The Board of Trustees of 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, 2007. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

## **Financial Highlights**

- Net assets decreased by \$728,582 in fiscal year 2007.
- Total revenues increased by approximately \$8,000,000 due to an increase in the student population and increased rates.
- The School's cash balance at June 30, 2007 was \$358,345, representing an increase of \$264,226 from June 30, 2006.
- The School has balances due to K12 Pennsylvania, LLC and The Cynwyd Group, LLC totaling \$2,859,351 pursuant to the terms of management agreements.

## **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 assets* presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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  
June 30, 2007**

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**Overview of the Financial Statements (Continued)**

***Fund Financial Statements***

A *fund* is a group of related accounts that are 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.

***Supplementary Information***

The governmental fund budgetary comparison schedule is presented for purposes of additional analysis.

**Government-Wide Financial Analysis**

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34 which requires a comparative analysis of current and prior periods.

	2007	2006
<b>Assets</b>		
Current assets	\$ 2,841,360	\$ 120,157
Capital assets, net	34,154	-
	2,875,514	120,157
 <b>Liabilities</b>	 3,635,976	 152,037
 <b>Net Assets</b>	 \$ (760,462)	 \$ (31,880)

As noted earlier, net assets may serve over time as a useful indicator of a school's financial position. In the case of the School, liabilities exceeded assets by \$760,462 as of June 30, 2007, an increase of \$728,582 from June 30, 2006.

The School's revenues are predominately local area school district's funds based on the student enrollment. For the year ended June 30, 2007, the School's total expenditures of \$8,861,403 exceeded revenues of \$8,132,821 by \$728,582, an increase of \$696,702 as compared to the preceding year.

**Agora Cyber Charter School  
Management's Discussion and Analysis  
June 30, 2007**

**Government-Wide Financial Analysis (Continued)**

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Program revenues		
Local educational agency assistance	\$ 7,939,127	\$ 123,429
State sources	89,819	-
Federal sources	103,875	-
Other sources	-	669
Total revenues	<u>8,132,821</u>	<u>124,098</u>
<b>Expenditures</b>		
Instruction	6,857,923	58,747
Support services	<u>2,003,480</u>	<u>97,231</u>
Total expenditures	<u>8,861,403</u>	<u>155,978</u>
Change in net assets	(728,582)	(31,880)
Net assets, beginning	<u>(31,880)</u>	<u>-</u>
Net assets, ending	<u>\$ (760,462)</u>	<u>\$ (31,880)</u>

**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 deficit of \$794,616. This differs from the ending net assets (deficit) of \$760,462 due to the difference in the treatment of capital assets between the general fund and the government-wide financial statements.

**Budget Variations**

The actual revenues represents an increase from budgeted revenues of \$4,074,668 due to increased enrollment and increased federal and state grants.

Actual expenditures increased \$4,837,507 from the budget, due mainly to an increase in instruction services of \$3,711,777 and an increase in support services of \$1,095,216.

**Agora Cyber Charter School  
Management's Discussion and Analysis  
June 30, 2007**

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**Capital Asset and Debt Administration**

***Capital Assets***

As of June 30, 2007, the School's investment in capital assets for its governmental activities totaled \$34,154 (net of accumulated depreciation). This investment in capital assets consists of computer equipment.

Major capital assets purchased during the year included \$37,949 for computer equipment.

Additional information on the School's capital assets can be found in Note 4 of this report.

***Long-Term Debt***

The School does not have any long-term liabilities as of June 30, 2007.

**Economic Factors**

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

**Future Events that will Financially Impact the School**

Except as listed above, there are no known future events that will financially impact the School.

**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 CEO, Agora Cyber Charter School, 995 Old Eagle School Road, Suite 315, Wayne, PA 19087.

**Agora Cyber Charter School**  
**Governmental Fund Balance Sheet/Statement of Assets**  
**June 30, 2007**

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 358,345	\$ -	\$ 358,345
State subsidies receivable	80,628	-	80,628
Federal subsidies receivable	103,875	-	103,875
Local receivables	2,296,646	-	2,296,646
Prepaid expenses	1,866	-	1,866
Total current assets	<u>2,841,360</u>	<u>-</u>	<u>2,841,360</u>
Capital assets, net	<u>-</u>	<u>34,154</u>	<u>34,154</u>
Total assets	<u>\$ 2,841,360</u>	<u>34,154</u>	<u>2,875,514</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$ 571,125	-	571,125
Due to K12 Pennsylvania, LLC	2,290,054	-	2,290,054
Due to Cynwyd Group, LLC	569,297	-	569,297
Deferred revenue	205,500	-	205,500
Total current liabilities	<u>3,635,976</u>	<u>-</u>	<u>3,635,976</u>
<b>Fund Deficit/Net Deficit</b>			
Unreserved fund deficit	<u>(794,616)</u>	<u>794,616</u>	<u>-</u>
	<u>(794,616)</u>	<u>794,616</u>	<u>-</u>
Total liabilities and fund deficit	<u>\$ 2,841,360</u>		
<b>Net Assets</b>			
Invested in capital assets, net		34,154	34,154
Unrestricted		<u>(794,616)</u>	<u>(794,616)</u>
		<u>\$ (760,462)</u>	<u>\$ (760,462)</u>
<b>Reconciliation of fund deficit to net deficit:</b>			
Fund deficit			\$ (794,616)
Cumulative capital expenditures charged to operations			37,949
Accumulated depreciation			<u>(3,795)</u>
Total net deficit			<u>\$ (760,462)</u>

See accompanying notes to financial statements.



**Agora Cyber Charter School**  
**Statement of Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance/Statement of Activities**  
**Year Ended June 30, 2007**

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Program revenues			
Local educational agency assistance	\$ 7,939,127	\$ -	\$ 7,939,127
State sources	89,819	-	89,819
Federal sources	103,875	-	103,875
	<u>8,132,821</u>	<u>-</u>	<u>8,132,821</u>
Total revenues			
<b>Expenditures</b>			
Instruction	6,857,923	-	6,857,923
Support services	1,999,685	3,795	2,003,480
Capital outlay	37,949	(37,949)	-
	<u>8,895,557</u>	<u>(34,154)</u>	<u>8,861,403</u>
Total expenditures			
<b>Excess of Expenditures Over Revenues</b>	(762,736)	762,736	
<b>Change In Net Deficit</b>	-	(728,582)	(728,582)
<b>Fund Deficit/Net Deficit, Beginning</b>	(31,880)	-	(31,880)
<b>Fund Deficit/Net Deficit, Ending</b>	<u>\$ (794,616)</u>	<u>\$ 34,154</u>	<u>\$ (760,462)</u>
<b>Reconciliation of excess of revenues over expenditures to change in net deficit:</b>			
Excess of revenues over expenditures			\$ (762,736)
Capital outlays reported as expenditures			37,949
Depreciation expense			<u>(3,795)</u>
Change in net deficit			<u>\$ (728,582)</u>

See accompanying notes to financial statements.

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1    Background and Summary of Significant Accounting Policies**

Agora Cyber Charter School (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997.

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.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 of the School's accounting policies are described below.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Because these two types of statements are so closely related for the School, they have been presented together.

**Government-Wide Financial Statements:**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1    Background and Summary of Significant Accounting Policies (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

**Fund Financial Statements**

Governmental fund 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 measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental fund:

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

**Method of Accounting**

The School has adopted the provision of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board “*Basic Financial Statements – and Managements’ Discussion and Analysis – for State and Local Governments.*” Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
  
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
  
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 1 Background and Summary of Significant Accounting Policies (Continued)**

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well.

**Use of Estimates**

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

**Concentration of Credit Risk**

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$100,000, with financial institutions.

**Cash**

The School's cash is considered to be cash on hand and demand deposits.

**Prepaid Expenditures**

Prepaid expenditures include payments to vendors for services applicable to future accounting periods such as insurance premiums at cost and business services to be consumed in future accounting periods.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. 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 are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; computers and equipment (5 years).

**Advertising Costs**

All costs associated with advertising and promotions are recorded as expenditures in the year incurred.

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1 Background and Summary of Significant Accounting Policies (Continued)**

**Income Tax Status**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code.

**Note 2 Cash**

The School's cash and cash equivalents balance at June 30, 2007, was \$358,345. The actual amount of cash on deposit in the School's bank accounts at June 30, 2007 was \$632,798. Of the amount held at the bank, \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$532,798 was uninsured and uncollateralized at June 30, 2007.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk than in the event of a bank failure, the School's uninsured deposits may not be returned. The School does not have a policy for custodial credit risk.

**Note 3 Receivables**

Receivables as of June 30, 2007 consist primarily of subsidies from federal, state, and local authorities. All receivables are considered collectible due to the stable condition of these programs.

**Note 4 Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance, 7/1/06	Additions	Deletions	Balance, 6/30/07
Computer equipment	\$ -	\$ 37,949	\$ -	\$ 37,949
Less: accumulated depreciation	-	3,795	-	3,795
	\$ -	\$ 34,154	\$ -	\$ 34,154

Depreciation expense for the year ended June 30, 2007 was \$3,795 and was charged to support services in the statement of activities.

**Note 5 Funding**

The School received funding from various local school districts on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis. The Commonwealth of Pennsylvania makes contributions on behalf of the charter school for the employer's share of retirement payments and social security payments.

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 6      Deferred 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, 2007, management cannot determine whether the funds have been spent, and accordingly, the amount has been recorded as deferred revenue. To the best of its knowledge, outside counsel has advised us that any pending claims related to the implementation grant remain outstanding.

**Note 7      Retirement Plan**

The School contributes to the Public School Employees' Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Pennsylvania Public School Employees' Retirement System, which provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Bureau of Fiscal Control, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125.

The rate of contribution for employees ranges from 5.25% - 7.5% depending upon classification and elections of employees. The School's contribution is 6.46%. In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities contributions. The School's contributions to the Plan for the years ended June 30, 2007 and 2006 was \$86,582 and \$0, respectively, which equals 100% of the contractually required contribution as set by State statutes.

**Note 8      Related Party Transactions**

The Laboratory Charter School of Communications and Languages, the Main Line Academy and the Ad Prima Charter School are considered related parties of the Agora Cyber Charter School. A variety of transactions occurred between the School and the Laboratory Charter School of Communications and Languages and the Ad Prima Charter School in the normal course of business. During the year ended June 30, 2007, \$29,987 and \$87,936 was paid to the Laboratory Charter School of Communications and Languages and the Ad Prima Charter School, respectively, as a reimbursement for expenses paid on behalf of the School during the year ended June 30, 2006. Ad Prima Charter School reimbursed the School \$34,217 during the year ended June 30, 2007 for rent and utility costs.

The School has entered into a management agreement with the Cynwyd Group, LLC. The Cynwyd Group, LLC is owned and operated by an ex officio of the Agora Cyber Charter School.

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 9 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 collectability of any related receivable at June 30, 2007 may be impaired. With the exception of Note 6, 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 10 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 11 Commitments and Contingencies**

**Operating Leases and Subsequent Events**

During November 2007, the School entered into a lease agreement with the Cynwyd Group, LLC (a related party) for a term which was due to expire June 30, 2016 but was terminated October 2009 (see Note 12) for its former Devon location.

During December 2009, the School entered into a lease agreement with GPX Wayne Office Properties, LP for a term expiring June 2015 for its current Wayne location. In addition to the basic rentals, the School is required to pay its proportionate share of all occupancy and maintenance costs.

In addition, the School also leased its Bala Cynwyd location from City Line Investors, LP which expired September 2008 and was not renewed.

Rent expense was \$12,000 for the year ended June 30, 2007.

Future minimum lease payments as of June 30, 2007 are as follows:

**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 11 Commitments and Contingencies (Continued)**

**Operating Leases and Subsequent Events (Continued)**

Year ending June 30,	
2008	\$ 333,120
2009	342,810
2010	139,085
2011	153,650
2012	162,430
Thereafter	602,528
	\$ 1,733,623

**Management Agreements**

During May 2006, the School entered into an agreement with the Cynwyd Group, LLC to manage and operate the administration and educational facilities, if any, of the School. The fee consisted of 7% of the qualified gross revenues of the facility plus reimbursement including, without limitation, employment costs and other fees as noted in the management agreement. The agreement was terminated in October 2009 (see Note 12).

During May 2006, the Cynwyd Group, LLC 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, 2016. The School will pay K12 an 15% administrative services fee and a 7% technology services fee based on qualified gross revenues and public contributions and grants, as well as other fees as noted in the management agreement. The fees charged for the year ended June 30, 2007 were as follows:

Technology services fee	\$ 569,297
Administrative services fee	1,219,923
Oversight fee	569,297
	\$ 2,358,517

**Note 12 Subsequent Events**

In April 2009, the Pennsylvania Department of Education (PDE) filed an administrative motion against the School's former Board of Trustees that alleged mismanagement and failure of fiduciary responsibility. In October 2009, a settlement was reached on this matter that resulted in the resignation of all members of the Board, installation of new Board members approved by the Department of Education and the termination of both the School's management agreement and an office lease with the Cynwyd Group, LLC, which commenced in 2007.



**Agora Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Note 12    Subsequent Events (Continued)**

The former Board incurred legal fees of \$565,000 during the six-month period between the filing of the motion and the final settlement. As part of the aforementioned settlement, the Cynwyd Group, LLC was paid \$1,700,000 by the PDE. As a result of its cancellation of its lease with the Cynwyd Group, LLC, school rental fees will be reduced by approximately \$125,000 per year, due to the difference between the original lease with the Cynwyd Group, LLC and its new lease with GPX Realty, entered into in December 2009.

**Supplementary Information**

**Agora Cyber Charter School  
Governmental Fund Budgetary Comparison Schedule  
Year Ended June 30, 2007**

	<b>Budget</b>	<b>Actual Revenues/ Expenditures</b>	<b>Variance With Budget</b>
<b>Revenues</b>			
Local educational agency assistance	\$ 4,036,153	\$ 7,939,127	\$ 3,902,974
State sources	22,000	89,819	67,819
Federal sources	-	103,875	103,875
Total revenues	<u>4,058,153</u>	<u>8,132,821</u>	<u>4,074,668</u>
<b>Expenditures</b>			
Instruction	3,146,146	6,857,923	(3,711,777)
Support services	904,469	1,999,685	(1,095,216)
Noninstructional services	7,435	-	7,435
Capital outlay	-	37,949	(37,949)
Total expenditures	<u>4,058,050</u>	<u>8,895,557</u>	<u>(4,837,507)</u>
<b>Excess of Expenditures Over Revenues</b>	103	(762,736)	(762,839)
<b>Fund Deficit, Beginning</b>	<u>-</u>	<u>(31,880)</u>	<u>-</u>
<b>Fund Deficit, Ending</b>	<u>\$ 103</u>	<u>\$ (794,616)</u>	<u>\$ (762,839)</u>

See accompanying notes to financial statements.

**Other Reports Required By Government Auditing Standards**



**Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting  
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 the financial statements of the governmental activities and the major fund of Agora Cyber Charter School (the School) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon, dated June 13, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as item 07-01.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Siegel & Drossner, P.C.*

Certified Public Accountants  
Elkins Park, Pennsylvania

June 13, 2011

**Agora Cyber Charter School  
Schedule of Findings and Recommendations  
Year Ended June 30, 2007**

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**Finding 07-01:**

**Criteria:** A criminal history background check and child abuse clearance are required for all employees that have direct contact with children.

**Condition:** In a review of 25 payroll transactions, 10 files did not have a criminal history background check and 11 files did not have child abuse clearances.

**Effect:** Failure to obtain checks and clearances may cause the school to have employees not suitable for the school environment.

**Cause:** Management oversight.

**Recommendation:** We recommend that management review all employee files to ensure that they contain proper documentation and institute procedures so that the appropriate clearances are updated as required.

**Explanation of Disagreement with Audit Finding:** There is no disagreement with the audit findings.

**Actions Planned in Response to Findings:** The School is currently reviewing all employee files and will institute revised procedures to obtain the proper documentation.