



AGORA CYBER CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2018

AGORA CYBER CHARTER SCHOOL
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

December 19, 2018

To the Board of Trustees
Agora Cyber Charter School
King of Prussia, Pennsylvania

Report on Financial Statements

We have audited the accompanying financial statements of the Agora Cyber Charter School ("the School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Trustees
Agora Cyber Charter School

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agora Cyber Charter School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Agora Cyber Charter School's June 30, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the 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 School's internal control over financial reporting and compliance.

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

**AGORA CYBER CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,860,489	\$ 22,746,533
Accounts receivable, net	5,511,572	4,222,936
Intergovernmental receivables	194,713	686,613
Prepaid expenses	147,168	46,604
Total Current Assets	32,713,942	27,702,686
NONCURRENT ASSETS:		
Leasehold improvements	168,680	187,953
Computer equipment and software	138,080	234,958
Office equipment	134,674	162,095
Less: Accumulated depreciation	(323,640)	(382,607)
Property and Equipment, Net	117,794	202,399
Deposits	45,917	85,922
Total Noncurrent Assets	163,711	288,321
TOTAL ASSETS	\$ 32,877,653	\$ 27,991,007
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 35,363,268	\$ 33,990,311
Accrued salaries and benefits	6,400,836	4,086,765
Unearned revenue	205,500	205,500
Total Current Liabilities	41,969,604	38,282,576
NET DEFICIT:		
Unrestricted deficit	(9,091,951)	(10,291,569)
Total Net Deficit	(9,091,951)	(10,291,569)
TOTAL LIABILITIES AND NET DEFICIT	\$ 32,877,653	\$ 27,991,007

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

**AGORA CYBER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Totals for 2017)**

	Unrestricted	Temporarily Restricted	Totals	
	2018	2017	2018	2017
PUBLIC SUPPORT, REVENUE, AND GAINS				
Public Support:				
Operating subsidy	\$ 90,354,152	-	\$ 90,354,152	\$ 91,689,396
Federal grants	-	5,752,624	5,752,624	4,412,211
Interest income	60,516	-	60,516	19,307
Gain (loss) on sale of assets	(9,640)	-	(9,640)	42,342
Other income	332,586	-	332,586	158,627
Subtotal	90,737,614	5,752,624	96,490,238	96,321,883
Net assets released from restriction:				
Satisfaction of program restrictions	5,752,624	(5,752,624)	-	-
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	96,490,238	-	96,490,238	96,321,883
EXPENSES				
Program Services:				
Instruction	66,349,184	-	66,349,184	72,110,707
IDEA	1,787,100	-	1,787,100	1,984,589
Medical access - administrative charges	58,865	-	58,865	-
Title I grant	3,174,093	-	3,174,093	2,394,869
Title II grant	271,949	-	271,949	27,978
Title IV grant	60,618	-	60,618	4,775
Total Program Services	71,701,809	-	71,701,809	76,522,918
Support services	23,588,811	-	23,588,811	29,144,357
TOTAL EXPENSES	95,290,620	-	95,290,620	105,667,275
NET OPERATING INCOME (LOSS)	1,199,618	-	1,199,618	(9,345,392)
NONOPERATING GAIN				
Debt forgiveness	-	-	-	5,613,583
TOTAL NONOPERATING GAIN	-	-	-	5,613,583
CHANGE IN NET DEFICIT	1,199,618	-	1,199,618	(3,731,809)
NET DEFICIT, BEGINNING OF YEAR	(10,291,569)	-	(10,291,569)	(6,559,760)
NET DEFICIT, END OF YEAR	\$ (9,091,951)	-	\$ (9,091,951)	\$ (10,291,569)

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

**AGORA CYBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Totals for 2017)**

	Program Services										Total Support Services	Totals	
	Instruction	IDEA	Medical Access			Title I	Title II	Title IV	Total Program Services	Total Support Services		2018	2017
			Administrative	Administrative	Administrative								
Salaries	\$ 20,428,077	\$ -	\$ -	\$ 1,867,030	\$ 155,700	\$ 44,939	\$ 22,495,746	\$ 10,113,586	\$ 32,609,332	\$ 31,077,475			
Benefits and payroll taxes	14,182,439	-	-	1,305,263	116,249	15,679	15,619,630	6,555,915	22,175,545	22,133,850			
Total Salaries and Related Expenses	34,610,516	-	-	3,172,293	271,949	60,618	38,115,376	16,669,501	54,784,877	53,211,325			
Advertising	-	-	-	-	-	-	-	3,523,249	3,523,249	5,864,588			
Books and materials	3,140,976	-	-	-	-	-	3,140,976	-	3,140,976	4,013,429			
Depreciation	74,965	-	-	-	-	-	74,965	-	74,965	76,656			
Dues and fees	770	-	-	-	-	-	770	21,295	22,065	21,600			
Insurance	228,229	-	-	-	-	-	228,229	-	228,229	86,836			
Instructional expenses and software	415,601	-	-	-	-	-	415,601	74,538	490,139	2,867,277			
Interest expense	-	-	-	-	-	-	-	18,205	18,205	202,347			
Legal services	382,153	-	-	-	-	-	382,153	448,384	830,537	1,064,384			
Miscellaneous	12,848	-	-	-	-	-	12,848	-	12,848	-			
Occupancy	286,819	-	-	-	-	-	286,819	1,083,380	1,370,199	835,425			
Postage	2,934	-	-	-	-	-	2,934	103,694	106,628	144,940			
Printing and binding	1,610	-	-	-	-	-	1,610	3,747	5,357	346			
Professional services	7,083,232	1,787,100	-	-	-	-	8,929,197	778,648	9,707,845	13,309,078			
Rental expense	-	-	-	-	-	-	-	48,728	48,728	30,875			
Repairs and maintenance	2,174,683	-	-	-	-	-	2,174,683	904	2,175,587	2,457,801			
Special education services	85,801	-	-	-	-	-	85,801	-	85,801	240,575			
Student activities	1,007	-	-	-	-	-	1,007	11,701	12,708	7,852			
Supplies and small equipment	203,655	-	-	-	-	-	203,655	119,756	323,411	572,348			
Technology expense	15,234,550	-	-	-	-	-	15,234,550	237,021	15,471,571	18,041,427			
Telephone and internet	1,548,989	-	-	-	-	-	1,548,989	189,897	1,738,886	1,164,142			
Transportation	599,910	-	-	-	-	-	599,910	17	599,927	412,584			
Travel and entertainment	259,936	-	-	1,800	-	-	261,736	256,146	517,882	1,041,440			
TOTAL EXPENSES	\$ 66,349,184	\$ 1,787,100	\$ 58,865	\$ 3,174,093	\$ 271,949	\$ 60,618	\$ 71,701,809	\$ 23,588,811	\$ 95,290,620	\$ 105,667,275			

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

**AGORA CYBER CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,199,618	\$ (3,731,809)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,965	76,656
Debt forgiveness	-	(5,613,583)
Gain (loss) on sale of assets	9,640	(42,342)
(Increase) Decrease in:		
Accounts receivable	(1,288,636)	15,936,630
Intergovernmental receivables	491,900	1,801,660
Prepaid expenses	(100,564)	632,495
Deposits	40,005	-
Increase (Decrease) in:		
Accounts payable	1,372,957	(3,506,559)
Accrued salaries and benefits	2,314,071	(3,318,987)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,113,956</u>	<u>2,234,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	-	755,976
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>755,976</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments	-	(5,225,833)
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(5,225,833)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,113,956	(2,235,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,746,533</u>	<u>24,982,229</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 26,860,489</u>	<u>\$ 22,746,533</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 18,205</u>	<u>\$ 202,347</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 NATURE OF THE ORGANIZATION

The Agora Cyber Charter School ("the School") is organized as a not-for-profit organization and operates a cyber charter school in King of Prussia, 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 School is to provide an innovative and 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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

In accordance with the portion of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the School is required to present a statement of cash flows.

Income Tax Status

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

Cash and Cash Equivalents

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

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Accounts Receivable

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

Property and Equipment

The School defines property and equipment as assets with an initial individual cost equal to or greater than \$1,000 and an estimated useful life in excess of one year. All property and equipment 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 capitalized.

Property and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 10 years
Computer equipment and software	2 - 5 years
Office equipment	3 - 10 years

Unearned Revenue

Unearned revenue 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 the School has a legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position, and revenue is recognized.

Net Deficit

Net deficit represents the difference between assets and liabilities.

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.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Advertising Costs

The School expenses advertising costs as incurred.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

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

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 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. The School does not have a policy in place for custodial credit risk. As of June 30, 2018, the carrying amount of the School's deposits was \$26,860,489, and the bank balance was \$29,929,719. Of the bank balance, \$250,000 was covered by federal depository insurance, \$12,046,521 was exposed to custodial credit risk because it was uninsured and uncollateralized, and the remaining \$17,633,198 was held in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share. PSDLAF is rated by a nationally recognized rating organization and, at June 30, 2018, was rated AAAM.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 RECEIVABLES

Receivables as of June 30, 2018 consist primarily of charges to school districts. The allowance for uncollectible accounts is based on management's evaluation of outstanding receivables. Accounts receivable at June 30, 2018 consisted of:

	Accounts	Intergovern- mental
Due from school districts	\$ 6,251,791	\$ -
Other	118,328	-
Federal receivables	-	194,713
Less: Allowance for uncollectible accounts	(858,547)	-
Totals	\$ 5,511,572	\$ 194,713

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment activity was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Leasehold improvements	\$ 187,953	\$ -	\$ 19,273	\$ 168,680
Computer equipment	234,958	-	96,878	138,080
Office equipment	162,095	-	27,421	134,674
	585,006	-	143,572	441,434
Accumulated depreciation	(382,607)	(74,965)	(133,932)	(323,640)
	\$ 202,399	\$ (74,965)	\$ 9,640	\$ 117,794

NOTE 6 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, 2018, 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.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 OPERATING LEASES

On December 1, 2010, the School entered into a 10-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. Beginning on the commencement date, the annual base rent of \$240,030 per year was paid in advance on the first day of each month in monthly installments of \$20,003 per month. The annual base rent was increased by 2.75 percent each year. In May 2018, both parties signed a lease termination agreement to be effective immediately. Under the lease termination agreement, the School agreed to pay a termination fee in the amount of \$525,000. The security deposit of \$40,005 was to be returned to the School, resulting in a net payment of \$484,995.

In May 2015, the School entered into a 60-month lease for its King of Prussia location with 588 Associates, L.P. for approximately 29,000 rentable square feet ("RSF") to be used for its administrative offices. The lease called for monthly payments beginning at \$9.50/RSF annually from October 2015 through June 2016, increasing by \$0.50/RSF annually each year thereafter on July 1. In May 2018, the School terminated the lease agreement. Under the termination agreement, the School will receive \$100,000 in relocation expenses but will still remain responsible for the remainder of lease payments until the June 30, 2020 original lease end date. The School will continue to occupy this building through December 2018, at which point the new administrative office building will be ready for move-in.

In September 2018, the School entered into a 126-month lease for its King of Prussia location at 1018 West 8th Avenue with Pios Grande KOP Business Center, L.P. for approximately 17,000 rentable square feet ("RSF") to be used for its administrative offices beginning on January 1, 2019. The lease called for monthly payments beginning at \$18.50/RSF annually from January 2019 through December 2025, increasing by \$0.50/RSF annually each year thereafter on January 1.

The future minimum lease obligations under the operating agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 314,105
2020	317,656
2021	325,923
2022	334,280
2023	342,637
2024 - 2028	1,838,540
2029	392,779
	<u>\$ 3,865,830</u>

Rent expense for the year ended June 30, 2018, was \$271,300 and has been included in occupancy expense.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 COMMITMENTS AND CONTINGENCIES

Educational Products and Services Agreement

In the year ended June 30, 2018, the School was using K12 to provide educational products and administrative and technology services to the School. The School incurred expenses totaling \$24,073,378 during the year ended June 30, 2018. As of June 30, 2018, the School owed K12 \$26,744,128 related to the expenses incurred during the years ended June 30, 2018 and June 30, 2017.

NOTE 9 PENSION PLANS

The School contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Pennsylvania Public School Employees' Retirement System ("PSERS"). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code ("the Code") and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits; legislatively mandated *ad hoc* cost-of-living adjustments; and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of the member's employment in the public school sector. The PSERS issues annual publicly available financial reports that include financial statements for the plan. The report may be obtained by writing to PSERS, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code, and requires contributions by active members and employers and the Commonwealth. In the past, most active members were required to contribute 5.25 percent of their compensation if they joined the plan before July 22, 1983, and 6.25 percent if they joined on or after that date.

Members enrolled at June 1, 2001 had to elect to maintain the same contribution rate as stated above, or change to a higher contribution rate that provides greater retirement benefits. The new higher contribution rates, effective January 1, 2002, are 6.5 percent if the member joined prior to July 22, 1983 and 7.5 percent if they joined on or after that date. The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2018, the rate of employer contribution was 32.57 percent of covered payroll, allocated 31.74 percent to pensions and 0.83 percent to health insurance. The School's contributions to PSERS for the years ended June 30, 2018, 2017, and 2016 were \$8,718,042, \$8,805,012, and \$7,966,313, respectively. Those amounts are equal to the required contribution for each year.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 PENSION PLANS (cont'd)

403(b) Plan Description

For all employees hired after June 1, 2015, the School participates in the Agora Cyber Charter School 403(b) Plan ("403(b) Plan") as an alternative to the PSERS plan. The plan requires a five percent mandatory employee contribution as well as a five percent employer nonelective contribution for the employee. The employer may also, if desired, add a discretionary nonelective contribution to be determined on an annual basis. Employer contributions become 100 percent vested after one year of participation in the 403(b) Plan.

Funding Policy

The contribution policy is established by the 403(b) Plan document and requires contributions by employees and the employer. For the years ended June 30, 2018, 2017, and 2016, the School's contributions were \$280,492, \$160,683, and \$154,338, respectively.

NOTE 10 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, 2018 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 11 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. The School self-funds health insurance claims on a pay-as-you-go basis. During the year ended June 30, 2018, the School paid \$9,365,707 in medical claims.

NOTE 12 ECONOMIC DEPENDENCY

The largest source of revenue for the School is the amount received through operating subsidies from local education agency assistance. This amount was \$90,056,536, or 93.33 percent, of

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 ECONOMIC DEPENDENCY (cont'd)

total support and revenue for the year ended June 30, 2018. Of this amount, 27.00 percent came from the School District of Philadelphia.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through December 19, 2018, the date the financial statements were available to be issued.

SINGLE AUDIT INFORMATION

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

December 19, 2018

To the Board of Trustees
Agora Cyber Charter School
King of Prussia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Agora Cyber Charter School ("the School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2016-007 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

To the Board of Trustees
Agora Cyber Charter School

Compliance and Other Matters

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

Agora Cyber Charter School's Response to Findings

The School's response to the findings identified in our audit are described in the School's Corrective Action Plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP

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

December 19, 2018

To the Board of Trustees
Agora Cyber Charter School
King of Prussia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Agora Cyber Charter School's ("the School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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 School's compliance.

To the Board of Trustees
Agora Cyber Charter School

Opinion on Each Major 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 major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item #2016-007 to be a material weakness.

The School's response to the internal control over compliance finding identified in our audit is described in the School's corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


BARBACANE, THORNTON & COMPANY LLP

**AGORA CYBER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2017	REVENUE RECOGNIZED	PASS-THROUGH EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2018	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Department of Education											
Title I Grants - Improving Basic Programs	I	84-010	013-161057	06/15/15 - 09/30/16	\$ 3,309,029	\$ 190,161	\$ 190,161	\$ -	\$ -	\$ -	\$ -
Title I Grants - Improving Basic Programs	I	84-010	013-171057	06/15/16 - 09/30/17	2,981,712	1,074,104	487,261	586,843	586,843	-	-
Title I Grants - Improving Basic Programs	I	84-010	013-181057	09/01/17 - 09/30/18	2,682,674	2,269,955	-	2,458,733	2,458,733	188,778	-
Program Improvement - Set Aside	I	84-010	042-161057	06/10/16 - 09/30/17	69,832	69,832	-	69,832	69,832	-	-
Program Improvement - Set Aside	I	84-010	042-171057	06/10/17 - 09/30/18	75,630	52,941	-	58,685	58,685	5,744	-
Total CFDA #84.010					3,656,993	3,656,993	677,422	3,174,093	3,174,093	194,522	-
Title II - Improving Teacher Quality	I	84-367	020-171057	07/15/16 - 09/30/17	27,978	9,190	9,190	-	-	-	-
Title II - Improving Teacher Quality	I	84-367	020-181057	09/11/17 - 09/30/18	271,949	271,949	-	271,949	271,949	-	-
Total CFDA #84.367					281,139	281,139	9,190	271,949	271,949	-	-
Title IV Student Support and Enrichment	I	84-424	020-181057	09/11/17 - 09/30/18	60,618	60,618	-	60,618	60,618	-	-
Total CFDA #84.424					60,618	60,618	-	60,618	60,618	-	-
Passed through Montgomery County I.U.											
Special Education - Grants to State (IDEA, Part B)	I	84-027	N/A	07/01/17 - 09/30/18	1,786,909	1,786,909	-	1,786,909	1,786,909	-	-
Total CFDA #84.027					1,786,909	1,786,909	-	1,786,909	1,786,909	-	-
Special Education - Preschool Grants (IDEA Preschool)	I	84-173	N/A	07/01/17 - 09/30/18	191	-	-	191	191	191	-
Total CFDA #84.173					191	-	-	191	191	191	-
Total Special Education Cluster					1,786,909	1,786,909	-	1,787,100	1,787,100	191	-
TOTAL U.S. DEPARTMENT OF EDUCATION					5,785,659	5,785,659	686,612	5,293,760	5,293,760	194,713	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through Pennsylvania Department of Health and Human Services											
Medical Assistance Reimbursement	I	93-778	N/A	07/01/17 - 06/30/18	58,865	58,865	-	58,865	58,865	-	-
Total CFDA #93.778					58,865	58,865	-	58,865	58,865	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					58,865	58,865	-	58,865	58,865	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 5,844,524	\$ 5,844,524	\$ 686,612	\$ 5,352,625	\$ 5,352,625	\$ 194,713	\$ -

SOURCE CODE:

I - Indirect Funding

AGORA CYBER CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A REPORTING ENTITY

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was \$399,999.

NOTE D INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2018, there were no indirect costs included in the schedule of expenditure of federal awards.

**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

 Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants - Improving Basic Programs

84.027 and 84.173

Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

2016-001 – MATERIAL ADJUSTING JOURNAL ENTRIES

Condition

During our prior year audit, significant material adjusting journal entries were required as part of the audit process to correct the School's financial statements. The aggregate amount of all required adjusting journal entries exceeded \$58 million.

Criteria

The internal controls over financial reporting of an entity should allow for the identification of material misstatements and enable the correction of material misstatements prior to the start of the audit process. This is especially important due to the importance of internal and external financial reporting, which is a key component of an entity's control environment.

Cause

The School lacked a sufficiently staffed finance and accounting office to oversee the financial reporting process with the requisite skills to detect and correct material misstatements.

Effect

During the audit for the year ended June 30, 2016, adjusting audit journal entries in excess of \$58 million were required to fairly present the financial statements.

Questioned Costs

This finding does not result in questioned costs.

Recommendation

We recommended that the School implement policies and procedures that will provide for strong internal controls over financial reporting. Critical to this process will be the hiring and development of a strong staff of finance and accounting employees, and the implementation of the following recommendations.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

Status

During our current year audit, management realized the need for assistance with the year-end adjustments and agreed to include year-end adjustments as part of the engagement as a nonattest service. Based on this, this recommendation is no longer applicable.

2016-004 – LACK OF PAYROLL AND HUMAN RESOURCES CONTROLS

Condition

During our prior year audit, significant, material adjusting journal entries were required to correct the School's salaries and benefits expenses, and the related year-end payroll liabilities. In addition, of the ten employees we haphazardly selected in our testing procedures, one employee was not paid the correct salary for a majority of the year.

Criteria

An organization's controls surrounding the payroll process should ensure the following items:

- That the amount paid to each employee is consistent with the salary amount approved by management or the board each fiscal year.
- That salaries, benefits, and related tax expenses are correctly recorded in the organization's general ledger.

Cause

The School did not adequately monitor and review the amounts recorded in each payroll period to ensure that the amounts being paid were correct. In addition, for a large portion of the year, the School's payroll department was severely understaffed.

Effect

Material adjusting journal entries were required to correct the School's payroll and related liabilities and expenses. In addition, we noted that one employee was incorrectly paid for the majority of the fiscal year.

Questioned Costs

This finding does not result in questioned costs.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

Recommendation

We noted that in fiscal year 2017, the School began using an outside service provider to provide payroll processing services, which will greatly assist in ensuring that payroll is processed correctly. We recommended that the School implement internal control processes that will require that all payroll reports from their service provider be reviewed, and that approval of these reports be documented. In addition, the controls the School puts in place should be adequate to ensure that the payroll amounts are correctly entered into the general ledger, and that the payroll liabilities are reconciled after each pay run.

Status

During our current year audit, we noted that the School hired a Director of Human Resources and, additionally, outsourced the payroll processing to ADP. As a result, payroll has functioned properly with proper recording of payroll in the general ledger and payment of the related liabilities in a timely fashion. Therefore, this recommendation is no longer applicable.

2016-007 – FINANCIAL MANAGEMENT OF FEDERAL AWARDS

Condition

During the year ended June 30, 2016, significant adjusting journal entries were required to correctly record the entity's federal expenditures. In particular, federal expenditures for two of its programs were recorded in excess of the grant award total, indicating a lack of comparison between the actual expenditures for the program and the awarded amount. In addition, the School was not able to adequately support or demonstrate its allocation of expenditures between its federal and non-federal expense accounts for certain federal expenditures selected for testing.

Criteria

As required by 2 CFR 200 Section 302, *Financial Management of the Uniform Guidance*, a local education agency must maintain adequate internal controls over financial reporting related to the entity's federal awards. In particular, the financial management system of an entity must provide for the following:

- Identification in its accounts of all federal awards received and expended.
- Accurate, current, and complete disclosure of the financial results of each federal award or program in according with the reporting and monitoring requirements established by 2 CFR 200 Section 327, *Financial Reporting*, and Section 328, *Monitoring*.
- Records that adequately identify the source and application of funds for federally-funded activities.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

- Effective control over and accountability for all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each federal award.
- Written procedures to implement the requirements of 2 CFR 200 Section 305, *Payment*.
- Written procedures for determining the allowability of costs in accordance with Subpart E - *Cost Principles of the Uniform Guidance*.

Cause

The School did not have a sufficient staff of proficiently skilled employees to monitor its federal programs during the year and ensure that the program activities were properly recorded in the general ledger.

Effect

Significant adjusting entries were required to correct the School's federal awards.

Questioned Costs

This finding does not result in questioned costs.

Recommendation

While we recognize that the School has hired a Federal Programs Coordinator since the start of the audit process, we recommended that the School implement procedures that will ensure the activities of its federal programs are correctly recorded in the School's financial accounting system. In particular, staff administering the federal programs and the staff in the accounting and finance department should collaborate to ensure that all activities are properly administered and recorded. Management should also implement procedures that require the continuous monitoring of each program's budget to ensure compliance with the Uniform Guidance Financial Management requirement. Lastly, management should implement procedures that will provide for support of the entity's allocation of expenses between federal and non-federal expenses; for instance, if an invoice is coded partially between a federal program and a non-federal program, the allocation of each amount should be documented.

Status

During our current year audit, we noted that the School has assigned an individual to be the Federal Programs Coordinator. However, we noted that the accounting records still were not reconciled with the activity of the Federal Programs. Some programs had less expenditures recorded in the general ledger detail, while others had too much in expenditures charged to their applicable codes. Therefore, this recommendation is still applicable for the current year.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

Management's Response

See management's corrective action plan.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

See Finding #2016-007 under Part B (CFDA #84.010, #84.027, and #84.173).

2016-009 – REPORTING (CFDA #84.010)

Condition

The School was able to provide evidence for submitting only one of the four quarterly cash on hand reconciliation reports required by the Pennsylvania Department of Education.

Criteria

Subrecipients of Title program funding must provide information to the granting agency regarding program expenditures, receipts, and the amount of cash on hand received from the program funding. The Pennsylvania Department of Education requires each local education agency to complete and submit quarterly cash on hand reports in order to aggregate this required information.

Cause

The School lacked adequate staffing to properly oversee the reporting requirements of its federal programs; in particular, the position of Federal Programs Director was vacant for approximately half of the year.

Effect

Failure to properly submit reports may result in future awards being withheld or denied.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

Questioned Costs

This finding does not result in questioned costs.

Recommendation

While we recognize that the School has hired a Federal Programs Coordinator since the start of the audit process, the management of the School should develop an adequately trained and knowledgeable staff that understand the requirements of all federal programs; in particular, the Federal Programs Director or a similar position, should be filled as soon as possible to ensure adequate oversight of the School's federal programs.

Status

During our current year audit, we noted that the School had timely completed and filed the required quarterly reports. As a result, this finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.



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Agora Cyber Charter School - Fiscal Year 2017 - 2018 Corrective Action Plan

Date: December 19, 2018

To Whom It May Concern:

Agora Cyber Charter School respectfully submits the following management response for the year ended June 30, 2018, based on the schedule of findings and recommendations included in the following audit report:

Audit Period: July 1, 2016 - June 30, 2017

Auditor: Barbacane, Thornton & Company LLP
Certified Public Accountants
200 Springer Building, 3411 Silverside Road
Wilmington, DE 19810

Finding 2016-007 – Financial Management of Federal Awards – During the years ended June 30, 2016 and June 30, 2017, significant adjusting journal entries were required to correctly record the entity's federal expenditures. In particular, federal expenditures for two of its programs were recorded in excess of the grant award total, indicating a lack of comparison between the actual expenditures for the program and the awarded amount. In addition, the School was not able to adequately support or demonstrate its allocation of expenditures between its federal and non-federal expense accounts for certain federal expenditures selected for testing.

Recommendation – While we recognize that the School has hired a Federal Programs Coordinator since the start of the audit process, we recommended that the School implement procedures that will ensure the activities of its federal programs are correctly recorded in the School's financial accounting system. In particular, staff administering the federal programs and the staff in the accounting and finance department should collaborate to ensure that all activities are properly administered and recorded. Management should also implement procedures that require the continuous monitoring of each program's budget to ensure compliance with the Uniform Guidance Financial Management requirement. Lastly, management should implement procedures that will provide for support of the entity's allocation of expenses between federal and non-federal expenses; for instance, if an invoice is coded partially between a federal program and a non-federal program, the allocation of each amount should be documented.

Action Taken – Agora Cyber Charter School, as stated above, has hired an experienced Federal Programs Coordinator who will oversee this area of responsibility. The School will work with its new Federal Programs Coordinator to follow the approved policies and procedures which monitor the maintenance the applicable requirements. Here is the list of approved policies and procedures:

APPROVED LIST OF POLICIES AND PROCEDURES:

1. Special Purpose Funds policy
2. Bank Accounts policy
3. Budget Preparation policy
4. Credit Card/Debit Card policy
5. Allowability of Costs – Federal Programs policy
6. Budget Planning policy
7. Common Trusts for Gifts and Grants policy
8. Federal Fiscal Compliance policy
9. Finances policy
10. Internal Controls policy
11. Payroll Authorization policy
12. Financial Reporting policy
13. Public Charter School Audit policy
14. Administration of Federal Funds policy
15. Budget Monitoring policy
16. Cash Management – Federal Funds policy
17. Disqualification, Disbarment, and Suspension of Bids policy
18. Purchase Budget policy
19. Investments policy
20. Per Pupil Allotment policy
21. Gifts, Grants, and Donations policy
22. Payment of Claims policy
23. Petty Cash policy
24. Purchases Subject to Bid policy