



AGORA CYBER CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2019

AGORA CYBER CHARTER SCHOOL
JUNE 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8
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 <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	18
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Recommendations	22
Corrective Action Plan	26



INDEPENDENT AUDITOR'S REPORT

December 9, 2019

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, 2019, 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

To the Board of Trustees
Agora Cyber Charter School

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agora Cyber Charter School as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Agora Cyber Charter School adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Agora Cyber Charter School's June 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

To the Board of Trustees
Agora Cyber Charter School

accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, 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, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,143,820	\$ 26,860,489
Accounts receivable, net	15,371,081	5,511,572
Grants receivable	3,025,575	194,713
Prepaid expenses	222,005	147,168
Total Current Assets	27,762,481	32,713,942
NONCURRENT ASSETS:		
Leasehold improvements	193,909	168,680
Computer equipment and software	347,752	138,080
Office equipment	149,241	134,674
Less: Accumulated depreciation	(158,138)	(323,640)
Property and Equipment, Net	532,764	117,794
Deposits	150,426	45,917
Total Noncurrent Assets	683,190	163,711
 TOTAL ASSETS	 \$ 28,445,671	 \$ 32,877,653
<u>LIABILITIES AND NET DEFICIT</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,445,067	\$ 35,363,268
Accrued salaries and benefits	6,163,790	6,400,836
Unearned revenue	-	205,500
Total Current Liabilities	35,608,857	41,969,604
NET DEFICIT:		
Net deficit without donor restriction	(7,163,186)	(9,091,951)
Total Net Deficit	(7,163,186)	(9,091,951)
 TOTAL LIABILITIES AND NET DEFICIT	 \$ 28,445,671	 \$ 32,877,653

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

**AGORA CYBER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for 2018)**

	Without Donor Restriction	With Donor Restriction	Totals
	2019	2018	2018
PUBLIC SUPPORT, REVENUE, AND GAINS			
Public Support:			
Operating subsidy	\$ 90,582,142	-	\$ 90,582,142
Federal grants	-	5,250,392	5,752,624
Interest income	257,893	-	60,516
Gain (loss) on sale of assets	18,418	-	(9,640)
Other income	262,074	-	332,586
Subtotal	91,120,527	5,250,392	96,370,919
Net assets released from restriction:			
Satisfaction of program restrictions	5,250,392	(5,250,392)	-
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	96,370,919	-	96,490,238
EXPENSES			
Program Services:			
Instruction	58,492,723	-	66,349,184
IDEA	1,756,951	-	1,787,100
Medical Access Administrative	61,358	-	58,865
Title I	2,971,586	-	3,174,093
Title II	261,227	-	271,949
Title III	5,138	-	-
Title IV	194,132	-	60,618
Total Program Services	63,743,115	-	71,701,809
Support services	30,699,039	-	23,588,811
TOTAL EXPENSES	94,442,154	-	95,290,620
NET OPERATING INCOME	1,928,765	-	1,199,618
CHANGE IN NET DEFICIT	1,928,765	-	1,199,618
NET DEFICIT, BEGINNING OF YEAR	(9,091,951)	-	(10,291,569)
NET DEFICIT, END OF YEAR	\$ (7,163,186)	-	\$ (9,091,951)

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, 2019
(With Summarized Totals for 2018)**

	Program Services						Total Support Services	Totals	
	Instruction	IDEA	Medical Access Administrative	Title I	Title II	Title III		Title IV	2019
Salaries	\$ 16,603,242	\$ -	-	\$ 2,173,903	\$ 184,756	\$ -	\$ 133,890	\$ 32,546,020	\$ 32,609,332
Benefits and payroll taxes	13,365,692	-	-	793,236	76,471	-	60,242	24,065,171	22,175,545
Total Salaries and Related Expenses	29,968,934	-	-	2,967,139	261,227	-	194,132	56,611,191	54,784,877
Advertising	-	-	-	-	-	-	-	3,217,948	3,523,249
Books and materials	3,294,509	-	-	-	-	-	-	3,294,509	3,140,976
Depreciation	56,270	-	-	-	-	-	-	56,270	74,965
Dues and fees	1,328	-	-	-	-	-	-	85,558	22,065
Insurance	189,053	-	-	-	-	-	-	189,053	228,229
Instructional expenses and software	261,325	-	-	-	-	-	-	1,120,084	490,139
Interest expense	-	-	-	-	-	-	-	101	18,205
Legal services	402,997	-	-	-	-	-	-	1,021,228	830,537
Miscellaneous	19	-	-	-	-	-	-	35	12,848
Occupancy	265,618	-	-	-	-	-	-	711,027	1,370,199
Postage	685	-	-	-	-	-	-	129,252	106,628
Printing and binding	1,384	-	-	-	-	-	-	3,046	5,357
Professional services	7,996,768	1,756,951	-	-	-	5,138	-	10,471,632	9,707,845
Rental expense	-	-	-	-	-	-	-	64,221	48,728
Repairs and maintenance	2,040,748	-	-	-	-	-	-	2,068,296	2,175,587
Special education services	87,647	-	-	-	-	-	-	87,647	85,801
Student activities	-	-	-	-	-	-	-	5,127	12,708
Supplies and small equipment	55,648	-	-	4,447	-	-	-	299,124	323,411
Technology expense	12,586,995	-	-	-	-	-	-	12,595,125	15,471,571
Telephone and internet	581,161	-	-	-	-	-	-	1,388,332	1,738,886
Transportation	485,863	-	-	-	-	-	-	485,863	599,927
Travel and entertainment	215,771	-	-	-	-	-	-	536,800	517,882
TOTAL EXPENSES	\$ 58,492,723	\$ 1,756,951	\$ 61,358	\$ 2,971,586	\$ 261,227	\$ 5,138	\$ 194,132	\$ 94,442,154	\$ 95,290,620

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,928,765	\$ 1,199,618
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	56,270	74,965
(Gain) loss on sale of assets	(18,418)	9,640
(Increase) Decrease in:		
Accounts receivable	(9,859,509)	(1,288,636)
Grants receivable	(2,830,862)	491,900
Prepaid expenses	(74,837)	(100,564)
Deposits	(104,509)	40,005
Increase (Decrease) in:		
Accounts payable	(5,918,201)	1,372,957
Accrued salaries and benefits	(237,046)	2,314,071
Unearned revenue	(205,500)	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(17,263,847)	4,113,956
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(552,822)	-
Proceeds from sale of assets	100,000	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	(452,822)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,716,669)	4,113,956
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,860,489	22,746,533
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,143,820	\$ 26,860,489
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 101	\$ 18,205
Taxes paid	\$ -	\$ -

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

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 the following two classes of net assets:

- Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions or law.
- Net Assets With Donor Restriction – Net assets subject to restrictions imposed by the donor. These restrictions may be removed either by actions of the School or the passage of time or may exist in perpetuity.

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)

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

of the Internal Revenue Code. The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Cash and Cash Equivalents

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

Accounts 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.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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.

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. Expenses are allocated to program and supporting services based upon employees' time for each function, purpose of each expenditure, and service provided for each program.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of 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, 2018, from which the summarized information was derived.

Implementation of FASB ASU 2016-14

During the year ended June 30, 2019, the School implemented Financial Accounting Standards Board Accounting Standards Update ("FASB ASU") 2016-14. FASB ASU 2016-14 provides new and

AGORA CYBER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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

expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in multiple changes to the School's financial reporting. Net assets are now categorized in two categories; net assets with donor restriction and net assets without donor restriction. Investment income is now reported net of direct investment expenses, both on the face of the financial statements and in the notes to the financial statements. The School has added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each statement of financial position date.

This accounting guidance has been implemented retrospectively; however, the implementation of this guidance did not require restatement of prior accounting period balances.

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, 2019, the carrying amount of the School's deposits was \$9,143,820, and the bank balance was \$9,567,944. Of the bank balance, \$30 was covered by federal depository insurance. The remaining bank balance of \$9,567,914 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, 2019, was rated AAAM.

NOTE 4 RECEIVABLES

Receivables as of June 30, 2019 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, 2019 consisted of:

	Accounts	Grants
Due from school districts	\$16,229,628	\$ -
Federal receivables	-	3,025,575
Less: Allowance for uncollectible accounts	(858,547)	-
Totals	\$15,371,081	\$ 3,025,575

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment activity were as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Leasehold improvements	\$ 168,680	\$ 193,909	\$ 168,680	\$ 193,909
Computer equipment	138,080	209,672	-	347,752
Office equipment	<u>134,674</u>	<u>149,241</u>	<u>134,674</u>	<u>149,241</u>
	441,434	552,822	303,354	690,902
Accumulated depreciation	<u>(323,640)</u>	<u>(56,270)</u>	<u>(221,772)</u>	<u>(158,138)</u>
	<u>\$ 117,794</u>	<u>\$ 496,552</u>	<u>\$ 81,582</u>	<u>\$ 532,764</u>

NOTE 6 OPERATING LEASES

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>
2020	\$ 317,566
2021	325,923
2022	334,280
2023	342,637
2024	350,994
2025-2029	<u>1,880,325</u>
	<u>\$ 3,551,725</u>

Rent expense for the year ended June 30, 2019, was \$314,105 and has been included in occupancy expense.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 COMMITMENTS AND CONTINGENCIES

Educational Products and Services Agreement

In the year ended June 30, 2019, the School was using K12 to provide educational products and administrative and technology services to the School. The School incurred expenses totaling \$21,110,530 during the year ended June 30, 2019. As of June 30, 2019, the School owed K12 \$23,563,237 related to the expenses incurred during the years ended June 30, 2019 and June 30, 2018.

NOTE 8 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, 2019, the rate of employer contribution was 33.43 percent of covered payroll, allocated 32.6 percent to pensions and 0.83 percent to health insurance.

The School's contributions to PSERS for the years ended June 30, 2019, 2018, and 2017 were \$9,162,631, \$8,718,042, and \$8,805,012, respectively. Those amounts are equal to the required contribution for each year.

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 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, 2019, 2018, and 2017, the School's contributions were \$306,346, \$280,492, and \$160,683, respectively.

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, 2019 may be impaired. 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. The School self-funds health insurance claims on a pay-as-you-go basis. During the year ended June 30, 2019, the School paid \$10,640,575 in medical claims.

NOTE 11 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 \$90,291,833, or 93.69 percent, of

AGORA CYBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 ECONOMIC DEPENDENCY (cont'd)

total public support, revenue and gains for the year ended June 30, 2019. Of this amount, 29.70 percent came from the School District of Philadelphia.

NOTE 12 LIQUIDITY AND AVAILABILITY OF RESOURCES

The School's financial assets consist of cash and cash equivalents, accounts receivable, and grants receivable.

The Organization has a goal to maintain financial assets on hand to meet, at a minimum, 90 days of normal operating expenses, which is approximately \$23,610,000. At June 30, 2019, the Organization had \$27,540,476 in highly liquid financial assets. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through December 9, 2019, 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 9, 2019

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, 2019, 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 9, 2019.

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.

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 over financial reporting that we consider to be material weaknesses and significant deficiencies.

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

To the Board of Trustees
Agora Cyber Charter School

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.

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 9, 2019

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

Report on Compliance for the 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 program for the year ended June 30, 2019. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

To the Board of Trustees
Agora Cyber Charter School

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

Opinion on the 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 its major federal program for the year ended June 30, 2019.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with 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 recommendations, 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, 2019**

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 REVENUE 07/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED REVENUE 06/30/2019	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	013-181057	09/11/17 - 09/30/18	\$ 2,682,674	\$ 412,719	\$ 188,778	\$ 223,941	\$ 223,941	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-191057	07/01/18 - 09/30/19	2,653,035	1,768,815	-	2,653,035	2,653,035	884,220	-
Title I Grants to Local Educational Agencies	I	84.010	042-171057	12/19/17 - 09/30/18	75,630	22,889	5,744	16,945	16,945	-	-
Title I Grants to Local Educational Agencies	I	84.010	042-181057	10/11/18 - 09/30/19	77,665	25,888	-	77,665	77,665	51,777	-
Total CFDA #84.010						2,230,111	194,522	2,971,586	2,971,586	935,997	-
Title II - Improving Teacher Quality	I	84.367	020-191057	07/01/18 - 09/30/19	261,227	70,964	-	261,227	261,227	190,263	-
Total CFDA #84.367						70,964	-	261,227	261,227	190,263	-
Title IV Student Support and Enrichment	I	84.424	144-191057	07/01/18 - 09/30/19	194,132	51,768	-	194,132	194,132	142,364	-
Total CFDA #84.424						51,768	-	194,132	194,132	142,364	-
Passed through Montgomery County, I.U.											
Special Education - Grants to State (IDEA, Part B)	I	84.027	N/A	07/01/18 - 09/30/19	1,756,016	-	-	1,756,016	1,756,016	1,756,016	-
Total CFDA #84.027						-	-	1,756,016	1,756,016	1,756,016	-
Special Education - Preschool Grants (IDEA Preschool)	I	84.173	N/A	07/01/17 - 09/30/18	191	191	191	-	-	-	-
Special Education - Preschool Grants (IDEA Preschool)	I	84.173	N/A	07/01/18 - 09/30/19	935	191	-	935	935	935	-
Total CFDA #84.173						191	191	935	935	935	-
Total Special Education Cluster						191	191	1,756,951	1,756,951	1,756,951	-
English Language Acquisition State Grants	I	84.365	N/A	07/07/17 - 09/30/18	914	914	-	914	914	-	-
English Language Acquisition State Grants	I	84.365	N/A	07/07/18 - 09/30/19	1,070	4,224	-	4,224	4,224	-	-
Total CFDA #84.365						5,138	-	5,138	5,138	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						2,358,172	194,713	5,189,034	5,189,034	3,025,575	-
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	07/01/18-06/30/19	61,358	61,358	-	61,358	61,358	-	-
Total CFDA #93.778						61,358	-	61,358	61,358	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						61,358	-	61,358	61,358	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 2,419,530	\$ 194,713	\$ 5,250,392	\$ 5,250,392	\$ 3,025,575	\$ -

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 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, 2019, there were no indirect costs included in the schedule of expenditures 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 program [*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 program:

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

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

2016-007 – 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 accordance 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.
- 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*.

AGORA CYBER CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

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 for the year ended June 30, 2019 still were not reconciled with the activity of the federal programs. While some programs had less expenditures recorded in the general ledger detail, others had too much in expenditures charged to their applicable account codes. Ultimately, management was able to identify an appropriate amount of federal expenditure for each program, thus there were no questioned costs. Therefore, this recommendation is still applicable for the current year.

Management's Response

See management's corrective action plan.

AGORA CYBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

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).

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.



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Agora Cyber Charter School - Fiscal Year 2018 - 2019 Corrective Action Plan

Date: December 9, 2019

To Whom It May Concern:

Agora Cyber Charter School respectfully submits the following management response for the year ended June 30, 2019, 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, the 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 Federal Programs Coordinator to follow the approved policies and procedures which monitor the maintenance the applicable requirements. In addition, reconciliations will be performed to ensure that the amounts expended for federal programs are properly recorded in the books and records of the School. 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

Due Date to Complete the Implementation of the Corrective Action Plan – June 30, 2020.