PENNSYLVANIA VIRTUAL CHARTER SCHOOL
KING OF PRUSSIA, PENNSYLVANIA

FINANCIAL STATEMENTS

JUNE 30, 2024

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
JUNE 30, 2024

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BTCPA
BARBACANE THORNTON & COMPANY

INDEPENDENT AUDITOR'S REPORT

February 24, 2025

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pennsylvania Virtual Charter School, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pennsylvania Virtual Charter School as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pennsylvania Virtual Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

503 Carr Road □ Suite 100 □ Wilmington, DE 19809
302.478.8940 □ www.btcpa.com

To the Board of Directors
Pennsylvania Virtual Charter School

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pennsylvania Virtual Charter School's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pennsylvania Virtual Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pennsylvania Virtual Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors
Pennsylvania Virtual Charter School

Report on Summarized Comparative Information

We have previously audited the Pennsylvania Virtual Charter School's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 is presented for purposes of additional analysis as required by 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"), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report February 24, 2025, on our consideration of the Pennsylvania Virtual Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pennsylvania Virtual Charter School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,560,903	$ 22,481,143
Investments	14,539,998	-
Accounts receivable, net	5,492,506	4,402,281
Grants receivable	1,772,780	5,999,001
Prepaid expenses	4,337	117,230
Total Current Assets	45,370,524	32,999,655
NONCURRENT ASSETS:		
Land	918,892	918,892
Buildings and improvements	4,366,579	4,366,579
Furniture and equipment	2,364,295	2,354,473
Leased computer equipment	3,331,460	3,331,460
Less: Accumulated depreciation	(5,624,592)	(4,339,439)
Property and Equipment, Net	5,356,634	6,631,965
Security deposits	6,000	-
TOTAL ASSETS	$ 50,733,158	$ 39,631,620
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,149,453	$ 1,059,584
Other liabilities	5,483,568	5,974,289
Due to K-12, Inc.	468,106	434,316
Current portion of lease payable	1,038,092	41,706
Total Current Liabilities	8,139,219	7,509,895
NONCURRENT LIABILITIES:		
Lease payable	259,583	2,214,737
Compensated absences	388,791	281,780
Total Noncurrent Liabilities	648,374	2,496,517
Total Liabilities	8,787,593	10,006,412
NET ASSETS:		
Without donor restrictions	41,945,565	29,625,208
Total Net Assets	41,945,565	29,625,208
TOTAL LIABILITIES AND NET ASSETS	$ 50,733,158	$ 39,631,620

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
PUBLIC SUPPORT AND REVENUE				
Public support:				
Operating subsidy	$ 55,455,521	$ -	$ 55,455,521	$ 51,614,547
Federal grants	-	6,704,076	6,704,076	4,113,261
State grants	-	55,584	55,584	197,942
Other income	507,891	-	507,891	171,478
Total Public Support	55,963,412	6,759,660	62,723,072	56,097,228
Revenue:				
Interest income	699,768	-	699,768	340,230
Total Revenue	699,768	-	699,768	340,230
Net assets released from restrictions:				
Satisfaction of program restrictions	6,759,660	(6,759,660)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	63,422,840	-	63,422,840	56,437,458
EXPENSES				
Program services:				
Instruction	24,885,543	-	24,885,543	27,320,483
IDEA	711,792	-	711,792	611,206
Title I	1,324,843	-	1,324,843	1,248,407
Title II	110,458	-	110,458	104,713
Title IV	97,733	-	97,733	99,303
ESSER	4,459,250	-	4,459,250	2,049,632
Total Program Services	31,589,619	-	31,589,619	31,433,744
Support services	19,512,864	-	19,512,864	21,324,695
TOTAL EXPENSES	51,102,483	-	51,102,483	52,758,439
CHANGE IN NET ASSETS	12,320,357	-	12,320,357	3,679,019
NET ASSETS, BEGINNING OF YEAR	29,625,208	-	29,625,208	25,946,189
NET ASSETS, END OF YEAR	$ 41,945,565	$ -	$ 41,945,565	$ 29,625,208

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Totals for 2023)

	Program Services								Totals	
	Instruction	IDEA	Title I	Title II	Title IV	ESSER	Total Program Services	Support Services	2024	2023
Salaries	$ 9,220,761	$ -	$ 1,118,640	$ 106,570	$ 91,707	$ 2,053,723	$ 12,591,401	$ 8,347,516	$ 20,938,917	$ 21,765,592
Benefits and payroll taxes	5,445,914	-	66,242	-	-	1,783,700	7,295,856	6,566,278	13,862,134	14,966,426
Total Salaries and Related Expenses	14,666,675	-	1,184,882	106,570	91,707	3,837,423	19,887,257	14,913,794	34,801,051	36,732,018
Advertising expense	-	-	-	-	-	-	-	1,009,949	1,009,949	733,744
Depreciation	102,812	-	-	-	-	-	102,812	1,182,341	1,285,153	1,002,290
Dues and fees	13,015	-	-	-	5,413	-	18,428	241,863	260,291	423,007
Insurance	-	-	-	-	-	-	-	134,053	134,053	93,781
Instructional software	5,633,008	-	44,637	-	613	621,827	6,300,085	-	6,300,085	6,548,356
Interest expense	-	-	-	-	-	-	-	194,969	194,969	70,438
Materials and books	1,694,972	-	95,324	3,888	-	-	1,794,184	78,695	1,872,879	1,295,997
Miscellaneous	-	-	-	-	-	-	-	662,213	662,213	203,903
Occupancy	-	-	-	-	-	-	-	352,090	352,090	643,374
Postage	11,942	-	-	-	-	-	11,942	226,901	238,843	198,031
Professional services	10,248	-	-	-	-	-	10,248	4,822	15,070	108,752
Repairs and maintenance	-	-	-	-	-	-	-	105,071	105,071	81,884
Special education services	1,943,044	711,792	-	-	-	-	2,654,836	-	2,654,836	2,931,313
Supplies and small equipment	137,014	-	-	-	-	-	137,014	-	137,014	129,443
Telephone and internet	566,249	-	-	-	-	-	566,249	200,229	766,478	1,243,611
Travel and entertainment	106,564	-	-	-	-	-	106,564	205,874	312,438	318,497
TOTAL EXPENSES	$ 24,885,543	$ 711,792	$ 1,324,843	$ 110,458	$ 97,733	$ 4,459,250	$ 31,589,619	$ 19,512,864	$ 51,102,483	$ 52,758,439

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

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 12,320,357	$ 3,679,019
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,285,153	1,002,290
(Increase) Decrease in:		
Accounts receivable	(1,090,225)	(1,366,953)
Grants receivable	4,226,221	(2,158,222)
Prepaid expenses	112,893	594,338
Increase (Decrease) in:		
Accounts payable	89,869	107,052
Other liabilities	(490,721)	3,253,309
Due to K-12, Inc.	33,790	(240,999)
Compensated absences	107,011	69,915
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	16,594,348	4,939,749
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,822)	-
Purchase of investments	(14,539,998)	-
Security deposit (increase) decrease	(6,000)	8,250
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(14,555,820)	8,250
CASH FLOWS FROM FINANCING ACTIVITIES:		
Lease payments	(958,768)	(1,116,723)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(958,768)	(1,116,723)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,079,760	3,831,276
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,481,143	18,649,867
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 23,560,903	$ 22,481,143
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 194,969	$ 70,438
Property and equipement acquired through lease	$ -	$ 3,331,460

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

NOTE 1 NATURE OF THE ORGANIZATION

The mission of the Pennsylvania Virtual Charter School ("the School") is to provide Pennsylvania students with an excellent education, grounded in high academic standards, which will help them achieve their full academic and social potential. The School is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Act 22 of 1997.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

In accordance with the portion of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the School is required to present a statement of cash flows.

Income Tax Status

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

Cash and Cash Equivalents

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

Investments

Investments with readily determinable fair values are reported at fair value with gains and losses included in the statement of activities.

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

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

active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable, supported by little or no market activity, and reflect significant management judgment. These values are generally determined using pricing models that utilize management's estimates of market participant assumptions.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounts and Grants Receivable

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

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation is recognized over the estimated useful life of the assets utilizing the straight-line method, as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Leased computer equipment	Life of lease

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

Compensated Absences

School policies permit employees to accumulate earned but unused sick and vacation days. The policies limit the number of days employees may be paid out to five. The liabilities for these compensated absences are recorded as a liability in the financial statements.

Advertising Expense

The School is required to accept students from throughout the Commonwealth of Pennsylvania. Accordingly, the School advertises to ensure citizens of the Commonwealth are informed of the School's mission. The School expenses the production cost of advertising when incurred.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based upon employees' time for each function, purpose of each expenditure, and service provided for each program.

Use of Estimates in the Preparation of Financial Statements

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

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School maintains five bank accounts at TD Bank, NA. Accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At

NOTE 3 CASH AND CASH EQUIVALENTS (cont'd)

June 30, 2024, the carrying amount of the School's deposits totaled $23,560,903, and the bank balance was $24,360,211. Of the bank balance, $250,000 was covered by federal depository insurance, and $24,110,211 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the School's name. However, the exposed deposits were collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania.

NOTE 4 INVESTMENTS

Investments, stated at fair value, as of June 30, 2024 are as follows:

Certificates of deposit greater than 90 days	$14,539,998

Investment return, and its classification in the statement of activities, is summarized as follows:

	Without Donor Restrictions	Total
Interest income	$ 669,768	$ 669,768

Fair Value Measurement

The table below sets forth, by level, the School's financial assets that were accounted for at fair value as of June 30, 2024:

	Fair Value at Report Date Using:			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit greater than 90 days	$14,539,998	$14,539,998	$ -	$ -

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 consisted of the following:

Due from school districts and Pennsylvania Department of Education:	$ 5,968,869
Less: Allowance for doubtful accounts	(476,363)
TOTAL	$ 5,492,506

NOTE 6 GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2024:

School Health Annual Reimbursement System (SHARS)	$ 55,584
Federal receivables	1,717,196
TOTAL	$ 1,772,780

NOTE 7 PROPERTY AND EQUIPMENT

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

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Land	$ 918,892	$ -	$ -	$ 918,892
Buildings and improvements	4,366,579	-	-	4,366,579
Furniture and equipment	2,354,473	9,822	-	2,364,295
Leased computer equipment	3,331,460	-	-	3,331,460
	10,971,404	9,822	-	10,981,226
Accumulated depreciation	(4,339,439)	(1,285,153)	-	(5,624,592)
Total Property and Equipment, Net	$ 6,631,965	$ (1,275,331)	$ -	$ 5,356,634

NOTE 8 DUE TO K-12, INC.

In June 2009, the School entered into an agreement with K-12, Inc. to provide online curricula, instructional tools, materials, and other products through June 2024. Under this agreement, the School has purchased online curricula, instructional tools, materials, and other products totaling $5,975,514 for the year ended June 30, 2024.

K-12, Inc. is not a division or any part of the School. The School is a body corporate authorized under Pennsylvania Charter School Law and is not a division or a part of K-12, Inc. The relationship between the parties was developed and entered into through arms-length negotiations and is based solely on the terms of this agreement and those of any other agreements that may exist from time to time between the parties.

The line item "Due to K-12, Inc." shown on the statement of financial position represents amounts payable and due to K-12, Inc. for curriculum materials. The amount due as of June 30, 2024 was $422,933.

NOTE 9 LEASE OBLIGATION

The School acquired $3,331,460 of computers under a lease agreement with payments due yearly on June 1, beginning on June 1, 2023 through June 1, 2025, with a final payment for the remainder of the balance on August 1, 2026. The leased computers are depreciated over the life of the lease. Depreciation of the computers under the financing lease is included in depreciation expense. For the year ended June 30, 2024, the School recorded $1,110,487 of depreciation on the computers. The table below describes the future amounts due under the lease.

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2025	$ 1,038,092	$ 107,362	$ 1,145,454
2026	259,583	25,417	285,000
	$ 1,297,675	$ 132,779	$ 1,430,454

NOTE 10 SUBSCRIPTION AGREEMENT

In the current year, the School entered into a subscription agreement with Ring Central to provide monthly telephone and conferencing services. Subscription expense for the year ended June 30, 2024 was $52,883 and is included in telephone and internet in the statement of functional expenses.

Future payments under this subscription agreement are as follows:

Year Ending June 30,	
2025	$ 52,883
2026	22,034
	$ 74,917

NOTE 11 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislative-mandated *ad hoc* cost-of-living adjustments, and certain healthcare insurance premium assistance to plan members and beneficiaries. The

NOTE 11 PENSION PLAN (cont'd)

Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues an annual comprehensive financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to the Public School Employees' Retirement System, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Eligible active members contribute at 7.5% of their qualifying compensation. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2024, the rate of employer contribution was 34.00%, allocated 33.09% to pensions, 0.27% to Act 5 defined contribution, and 0.64% to health insurance. The School's contribution to PSERS for the years ended June 30, 2024, 2023, and 2022 was $6,386,441, $7,416,478, and $6,300,508, respectively, equal to the required contribution.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the normal course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of activities of the School if disposed of unfavorably.

NOTE 13 UNCERTAINTIES

Grants

The School receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantors or their representatives. Any disallowed claims resulting from such audits could become a liability of the School. Management believes such disallowance, if any, would be immaterial.

NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES

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

NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES (cont'd)

The following reflects the School's financial assets as of June 30, 2024, reduced by amounts not available for general use within one year of the statement of financial position date.

Financial assets, at year-end	$45,366,187
Financial assets available to meet cash needs for general expenditures within one year	$45,366,187

The School utilizes grant funding and funding from school districts for major capital expenditures and utilizes an annual budget and, therefore, does not include depreciation expense when evaluating operating expenses for liquidity purposes. The School has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

NOTE 15 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through February 24, 2025, the date the financial statements were available to be issued.

SINGLE AUDIT INFORMATION

BTCPA
BARBACANE THORNTON & COMPANY

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

February 24, 2025

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Virtual Charter School ("the School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2025.

Report on 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") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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302.478.8940 ◻ www.btcpa.com

To the Board of Directors
Pennsylvania Virtual Charter School

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as #2024-001 that we consider to be a material weakness.

Report on 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 financial statements. 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.

School's Response to Finding

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. 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 it.

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

BARBACANE, THORNTON & COMPANY LLP

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& COMPANY

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

February 24, 2025

To the Board of Directors
Pennsylvania Virtual Charter School
King of Prussia, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pennsylvania Virtual Charter School's ("the School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the School compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence

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we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
Pennsylvania Virtual Charter School

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 a 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

PENNSYLVANIA VIRTUAL CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL ALN	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2023	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2024	AMOUNT PASSED THROUGH TO SUB-RECIPIENTS
U.S. DEPARTMENT OF EDUCATION											
Passed through Montgomery County I.U.											
IDEA	I	84.027	062-23-0035	07/01/2022 - 06/20/2023	$ 611,206	$ 611,206	$ 611,206	$ -	$ -	$ -	$ -
IDEA	I	84.027	062-24-0023	07/01/2023 - 06/30/2024	711,792	-	-	711,792	711,792	711,792	-
Total ALN 84.027						611,206	611,206	711,792	711,792	711,792	-
Passed through Pennsylvania Department of Education											
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-1018	03/13/2020 - 09/30/2023	3,178,842	2,883,136	2,883,136	-	-	-	-
Elementary and Secondary School Emergency Relief Fund	I	84.425U	223-21-1018	03/13/2020 - 09/30/2024	6,429,877	5,962,250	1,503,000	4,459,250	4,459,250	-	-
Total ALN 84.425						8,845,386	4,386,136	4,459,250	4,459,250	-	-
Passed through Pennsylvania Department of Education											
Title I Grants - Improving Basic Programs	I	84.010	013-23-1018	08/16/2022 - 09/30/2023	1,248,407	802,537	802,537	-	-	-	-
Title I Grants - Improving Basic Programs	I	84.010	013-24-1018	09/04/2023 - 09/30/2024	1,440,122	517,888	-	1,324,843	1,324,843	806,955	-
Total ALN 84.010						1,320,425	802,537	1,324,843	1,324,843	806,955	-
Title II - Improving Teacher Quality	I	84.367	020-23-1018	08/19/2022 - 09/30/2023	104,713	69,747	69,747	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-24-1018	09/04/2023 - 09/30/2024	110,459	39,923	-	110,458	110,458	70,535	-
Total ALN 84.367						109,670	69,747	110,458	110,458	70,535	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-23-1018	08/19/2022 - 09/30/2023	99,303	-	67,771	-	-	67,771	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-24-1018	09/04/2023 - 09/30/2024	97,733	37,590	-	97,733	97,733	60,143	-
Total ALN 84.424						37,590	67,771	97,733	97,733	127,914	-
TOTAL U.S. DEPARTMENT OF EDUCATION						10,924,277	5,937,397	6,704,076	6,704,076	1,717,196	-
TOTAL EXPENDITURES OF FEDERAL AWARDS						$ 10,924,277	$ 5,937,397	$ 6,704,076	$ 6,704,076	$ 1,717,196	$ -

SOURCE CODE:

I - Indirect Funding

NOTE A REPORTING ENTITY

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C INDIRECT COST RATE

The School has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2024, there were no indirect costs included in the schedule of expenditures of federal awards.

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 program:

• Material weakness(es) identified?	___ Yes	X 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:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
84.425D, 84.425U	Elementary and Secondary School Emergency Relief Fund
84.010	Title I Grants - Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	___ Yes	X No

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#2024-001

Condition

During the current year audit, material journal entries were needed to correct the beginning balances of various asset, liability, and equity accounts. We also noted, that the School was unable to identify the receipt of the federal IDEA funding receivable from fiscal year 2023, which was passed through the Montgomery County Intermediate Unit. This funding from 2023 was received in 2024; however, the client was unable to determine where the payment was posted. This resulted in federal receivables being overstated on the unadjusted trial balance. As a result, material adjustments were needed to correct the current year ending balances of accounts receivable, IDEA revenue, and interest income. The internal controls over financial reporting did not function properly and did not properly reconcile beginning account balances to the prior year audit report or current year receivable, IDEA revenue, and interest income balances. These changes also resulted in the School making periodic changes to the trial balances provided for the audit.

Criteria

The internal controls over financial reporting should reconcile account balances at the beginning and end of each period to ensure accounts are properly rolled forward to the next period.

Cause

Oversight of accounting staff during reconciliation process.

Effect

Material audit journal entries were required to correct beginning and ending account balances.

Recommendation

The internal controls over financial reporting should ensure balance sheet accounts are reconciled at least monthly to ensure accounts are properly rolled forward for each month. Beginning account balances for the start of the fiscal year should agree to the prior year audit report. Beginning monthly balances should agree the close of the prior month. Performing these regularly will ensure the trial balance and the general ledger agree to one another and ensure the accuracy of the account balances.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

#2023-001

Condition

The quarterly filings related to the Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Grants were not filed timely during fiscal year end 2023. This led to the suspension of payments from the Pennsylvania Department of Education.

Criteria

The internal controls over federal grant reporting of the School should allow for identification of and adherence to grant reporting due dates. This is especially important as it can affect future funding of the School related to these grants.

Cause

Oversight due to turnover of accounting staff during the year.

Effect

Noncompliance with Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Grants.

Recommendation

We recommended that the School implement policies and procedures that will provide internal controls over federal grant reporting sufficient to ensure timely filing of future reporting.

Status

During our current year audit, we noted that the School had submitted the quarterly filings timely. The School also implemented a reporting tracker with the finance team and the director of federal programs to ensure all information is properly reported. Therefore, this finding no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

630 PARK AVENUE, KING OF PRUSSIA, PA 19406
TOLL FREE: 866.728.2751 | PHONE: 610.275.8500
WWW.PAVCSK12.ORG

Pennsylvania Virtual Charter School - Fiscal Year 2023 - 2024 Corrective Action Plan

Date: February 24, 2025

To Whom It May Concern:

Pennsylvania Virtual Charter School respectfully submits the following management response for the year ended June 30, 2024, based on the schedule of findings and recommendations included in the following audit report:

Audit Period: July 1, 2023 - June 30, 2024

Auditor: Barbacane, Thornton & Company LLP
Certified Public Accountants
503 Carr Road, Suite 100
Wilmington, DE 19809

Finding 2024-001 — During our current year audit, it was material journal entries were needed to correct the beginning balances of various asset, liability, and equity accounts. There were also material entries needed to properly record interest income and IDEA revenue for fiscal year 2024.

Recommendation – We recommend that the School implement policies and procedures that will provide internal controls over reconciliations and posting of proposed audit entries.

Action Taken – Pennsylvania Virtual Charter School management agrees with the above recommendation and has instituted policies and procedures designed to address this finding. (Please see the list of approved policies and procedures.)