

DRAFT - FOR DISCUSSION PURPOSES ONLY

Reach Cyber Charter School

AUDIT REPORT

June 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

REACH CYBER CHARTER SCHOOL

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REACH CYBER CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

(to be determined)

To the Board of Trustees
Reach Cyber Charter School
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Reach Cyber Charter School ("the School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 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 opinions.

Responsibilities of Management for the Financial Statements

The School's 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 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 School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School's basic financial statements. The schedule of expenditures of federal awards on page 28 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated (to be determined), 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 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 School's internal control over financial reporting and compliance.

BARBACANE, THORNTON & COMPANY LLP

REACH CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

The Board of Trustees of Reach Cyber Charter School ("the School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

- Total revenues increased by \$2,910,622 to \$135,535,586 due primarily to increases in federal revenue.
- At the close of the current fiscal year, the School reported an ending net position of \$68,992,657.
- The General Fund ended the year with a fund balance of \$59,044,831, a decrease of \$3,384,179 from the previous year.
- The School's cash balance at June 30, 2023 was \$11,318,546, representing a decrease of \$15,566,815 from June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and reporting required under *Government Auditing Standards* and the Uniform Guidance.

Government-wide Financial Statements

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

The *statement of net position* presents information on the School's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these items as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

REACHER CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

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

Fund Financial Statements

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2023, the School's liabilities were exceeded by its assets by \$68,992,657.

	June 30	
	2023	2022
Current and other assets	\$ 74,387,090	\$ 72,542,095
Capital assets	11,554,185	905,858
Total assets	85,941,275	78,447,953
Long-term liabilities outstanding	1,206,239	703,909
Other liabilities	15,742,379	15,193,007
Total liabilities	16,948,618	15,896,916
Net Position (Deficit):		
Net investment in capital assets	10,623,242	825,936
Unrestricted deficit	58,369,415	61,725,101
Total net position (deficit)	\$ 85,941,275	\$ 62,551,037

The School's net position increased by \$6,441,620 primarily due to current year revenues coming in higher than current year expenses.

The School's revenues are predominantly from Pennsylvania school districts, based on the student enrollment.

REACHER CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

The total cost of all programs and services was \$129,095,349.

	Year Ended June 30	
	2023	2022
Revenues:		
Program revenues		
Operating and capital grants	\$ 17,042,717	\$ 15,154,819
General		
Local educational agency revenues	117,913,865	118,297,829
Other	579,004	(827,684)
Total Revenue	<u>135,535,586</u>	<u>132,624,964</u>
Expenses:		
Instruction	89,865,619	85,799,095
Support services	33,870,813	25,811,918
Noninstructional services	5,321,644	2,118,147
Interest expense	35,890	13,078
Depreciation and amortization	-	689,877
Total Expenses	<u>129,093,966</u>	<u>114,432,115</u>
Changes in Net Position	6,441,620	18,192,849
Beginning Net Position	62,551,037	44,358,188
Ending Net Position	<u>\$ 68,992,657</u>	<u>\$ 62,551,037</u>

Governmental Funds

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

The General Fund reported an ending fund balance of \$59,044,831, which was an decrease of \$3,384,179 from the previous year. For the year ended June 30, 2023, the General Fund's expenditures of \$140,207,117 exceeded revenue of \$135,535,586 and other financing sources of \$1,287,352 by \$3,384,179.

Governmental Funds Budgetary Highlights

Actual revenues were \$5,386,221 lower than the budget due to increases (decreases) as follows:

Local educational agency assistance	\$ (5,943,312)
State sources	(121,743)
Federal sources	265,690
Other revenues	<u>413,144</u>
	<u>\$ (5,386,221)</u>

REACHER CYBER CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

Actual expenditures were \$17,680,042 lower than the budget due to increases (decreases) as follows:

Instruction	\$ 18,572,618
Support services	13,451,495
Noninstructional services	(898,647)
Capital outlays	(392,298)
Debt service	<u>(13,053,126)</u>
	<u>\$ 17,680,042</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2023, the School's investment in capital assets for its governmental activities totaled \$11,554,185 (net of accumulated depreciation/amortization). This investment in capital assets includes leasehold improvements, furniture and fixtures, software, food service equipment, right to use lease assets, and machinery and equipment. Additional information on the School's capital assets can be found in Note 5.

The School had \$930,943 in lease liability as of June 30, 2023. Detailed information regarding long-term debt activity is included in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal and operational stability of our Commonwealth's charter schools are directly linked to the State of Pennsylvania's budget and shifting political realities. This issue manifests itself most clearly in the way that the state determines each charter school's per pupil allotment which is calculated by the student's school district of residence and Form PDE-363. Form PDE 363 uses a "state-determined" formula to calculate per pupil allotments.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

The School has been awarded a number of Federal program funding as a result of COVID-19 that can be spent over a number of fiscal years and ends on September 30, 2024.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, Reach Cyber Charter School, 750 East Drive #204, Harrisburg, Pennsylvania 17111.

**REACH CYBER CHARTER SCHOOL
STATEMENT OF NET POSITION**

JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 11,318,546
Security deposit	87,883
Investments	53,164,959
Federal receivables	2,315,226
State receivables	13,397
Other receivables	6,895,113
Prepaid expense	591,966
Total Current Assets	<u>74,387,090</u>
NONCURRENT ASSETS:	
Property and equipment, net	10,662,065
Right to use lease asset, net	892,120
Total Noncurrent Assets	<u>11,554,185</u>
TOTAL ASSETS	<u><u>85,941,275</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	\$ 6,118,687
Accrued expenses	9,161,621
Unearned revenue	61,951
Lease liability	400,120
Total Current Liabilities	<u>15,742,379</u>
NONCURRENT LIABILITIES:	
Lease liability	530,823
Compensated absences	675,416
Total Noncurrent Liabilities	<u>1,206,239</u>
TOTAL LIABILITIES	<u><u>16,948,618</u></u>
NET POSITION:	
Net investment in capital assets	10,623,242
Unrestricted	58,369,415
TOTAL NET POSITION	<u><u>68,992,657</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 85,941,275</u></u>

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

REACH CYBER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

		Program Revenues			Net Revenue
			Operating	Capital	(Expense) and
	Expenses	Charges for	Grants and	Grants and	Change in Net
		Services	Contributions	Contributions	Position (Deficit)
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ 89,865,619	\$ -	\$ 17,029,320	\$ -	\$ (72,836,299)
Support services	33,870,813		13,397	-	(33,857,416)
Noninstructional services	5,321,644	-	-	-	(5,321,644)
Interest expense	35,890	-	-	-	(35,890)
TOTAL GOVERNMENTAL ACTIVITIES	<u>129,093,966</u>	<u>-</u>	<u>17,042,717</u>	<u>-</u>	<u>(112,051,249)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 129,093,966</u>	<u>\$ -</u>	<u>\$ 17,042,717</u>	<u>\$ -</u>	<u>(112,051,249)</u>
GENERAL REVENUES:					
Local educational agencies revenues					117,913,865
Miscellaneous Revenues					<u>579,004</u>
TOTAL GENERAL REVENUES					<u>118,492,869</u>
CHANGE IN NET POSITION					6,441,620
NET POSITION, BEGINNING OF YEAR,					<u>62,551,037</u>
NET POSITION, END OF YEAR					<u>\$ 68,992,657</u>

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

REACH CYBER CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

ASSETS	
Cash and cash equivalents	\$ 11,318,546
Security Deposit	87,883
Investments	53,164,959
Local receivable	6,895,113
Federal receivable	2,315,226
State receivable	13,397
Prepaid expenditures	<u>591,966</u>
 TOTAL ASSETS	 <u><u>\$ 74,387,090</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 6,118,687
Accrued expenses	9,161,621
Unearned revenue	<u>61,951</u>
Total Liabilities	<u>15,342,259</u>
 FUND BALANCE:	
Nonspendable - prepaid expenditures	591,966
Unassigned	<u>58,452,865</u>
Total Fund Balance	<u>59,044,831</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 74,387,090</u></u>

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

REACH CYBER CHARTER SCHOOL
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND
TO STATEMENT OF NET POSITION
JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

FUND BALANCE FOR GOVERNMENTAL FUND	\$ 59,044,831
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. These assets consist of:

Property and equipment	\$ 12,987,230	
Right to use lease asset	1,836,428	
Accumulated depreciation/amortization	<u>(3,270,856)</u>	11,552,802

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Lease liability	(930,943)	
Compensated absences	<u>(675,416)</u>	(1,606,359)

TOTAL NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 68,991,274</u></u>
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The accompanying notes are an integral part of these financial statements.

REACH CYBER CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

REVENUES	
Local educational agencies assistance	\$ 117,903,724
State sources	25,757
Federal sources	17,016,961
Other sources	589,144
TOTAL REVENUES	<u>135,535,586</u>
EXPENDITURES	
Current:	
Instruction	87,569,233
Support services	33,870,813
Noninstructional services	5,321,647
Debt service	392,298
Capital Outlay	13,053,126
TOTAL EXPENDITURES	<u>140,207,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,671,531)</u>
OTHER FINANCING SOURCES	
Proceeds from lease	<u>1,287,352</u>
TOTAL OTHER FINANCING SOURCES	<u>1,287,352</u>
NET CHANGE IN FUND BALANCE	(3,384,179)
FUND BALANCE, BEGINNING OF YEAR	<u>62,429,010</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 59,044,831</u></u>

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

REACH CYBER CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND	\$ 3,384,179
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay (\$13,071,221) exceeded depreciation/amortization expense (\$2,343,755).	(10,727,466)
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The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	930,944
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In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid were less than current period compensated absences earned.	<u>(27,894)</u>
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CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (6,440,237)</u></u>
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The accompanying notes are an integral part of these financial statements.

REACH CYBER CHARTER SCHOOL
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

DRAFT - FOR DISCUSSION PURPOSES ONLY

	Budgeted Amounts		Actual	Variance with
	Original	Final	Revenues/ Expenditures	Final Budget Positive (Negative)
REVENUES				
Local educational agencies assistance	\$ 123,847,036	\$ 123,847,036	\$ 117,903,724	\$ (5,943,312)
State sources	147,500	147,500	25,757	(121,743)
Federal sources	16,751,271	16,751,271	17,016,961	265,690
Other sources	176,000	176,000	589,144	413,144
TOTAL REVENUES	140,921,807	140,921,807	135,535,586	(5,386,221)
EXPENDITURES				
Instruction	106,141,851	106,141,851	87,569,233	18,572,618
Support services	47,322,308	47,322,308	33,870,813	13,451,495
Noninstructional services	4,423,000	4,423,000	5,321,647	(898,647)
Debt service	-	-	392,298	(392,298)
Capital Outlays	-	-	13,053,126	(13,053,126)
TOTAL EXPENDITURES	157,887,159	157,887,159	140,207,117	17,680,042
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,965,352)	(16,965,352)	(4,671,531)	12,293,821
OTHER FINANCING SOURCES				
Proceeds from lease	-	-	1,287,352	1,287,352
TOTAL OTHER FINANCING SOURCES	-	-	1,287,352	1,287,352
NET CHANGE IN FUND BALANCE	(16,965,352)	(16,965,352)	(3,384,179)	13,581,173
FUND BALANCE, BEGINNING OF YEAR	62,429,010	62,429,010	62,429,010	-
FUND BALANCE, END OF YEAR	\$ 45,463,658	\$ 45,463,658	\$ 59,044,831	\$ 13,581,173

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

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NOTE 1 DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Reach Cyber Charter School ("the School") is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997. The School was granted a charter which expired on June 30, 2029.

The financial statements of the School are prepared in accordance with the accounting system and procedures prescribed for charter schools by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the School as a reporting entity, management has addressed all potential component units which may or may not fall within the School's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the School's reporting entity are financial accountability and the nature and significance of the relationship. On the basis of these criteria, the School does not have any component units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBasis of Presentation***Entity-wide Financial Statements***

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

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

Amounts reported as program revenues include federal and state grants. Internally, as well as subsidy from local schools, dedicated resources are reported as general revenues rather than as program revenues.

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

The entity-wide financial statements report net position in one of three components. Net amortized investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and net of debt. Net position is reported as restricted when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors or contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, if measurable. The fund utilized by the School and a brief description of its accounting purpose is as follows:

Governmental Fund – The general fund is the only fund which accounts for all revenues and expenditures of the School.

Fund balance of the governmental fund is classified as applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Trustees. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Chief Executive Officer may assign amounts for specific purposes.

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

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board or Chief Executive Officer have provided otherwise in their commitment or assignment actions.

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.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the general fund, and they lapse at the end of the year.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Federal and State Subsidies Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal grants and state subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience, and existing economic conditions. Accounts deemed uncollectable are charged off based on this review. As of June 30, 2023, no allowance for doubtful accounts was deemed necessary.

Other Receivables

Other receivables include grants and other non-contract receivables. The School provides an allowance for doubtful accounts using the allowance method, which is based on

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

management's judgment considering historical information. In addition, an allowance is provided for other accounts when a significant pattern of collectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. As of June 30, 2023, no allowance for doubtful accounts was deemed necessary.

Capital Assets

Capital assets, which include leasehold improvements, right to use lease assets, software, machinery and equipment, and furniture and fixtures, are reported in the entity-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School maintains a \$1,000 threshold for capitalizing assets. Capital assets of the School are depreciated/amortized using the straight-line method over the estimated useful lives of the asset. The estimated useful life of furniture and equipment is six to seven years and equipment three to six years. Right to use lease assets are amortized over the term of the lease.

Capital Assets

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

Concentration of Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's limit of \$250,000 with financial institutions.

Compensated Absences

It is the School's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the General Fund only if they have matured, for example, as a result of employee resignations or treatments.

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.

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NOTE 3 CASH***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 for custodial credit risk. At June 30, 2023, the carrying amount of the School's deposits was \$11,318,546, and the bank balance was \$17,398,419. Of this amount, \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC), and \$17,148,419 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.

Investments

At June 30, 2023, the School's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>Rating</u>
Mutual Funds	\$ 10,187,744	\$ 10,187,744	\$ -	-
U.S. Treasury Bonds	39,176,250	11,483,695	27,692,555	AAA
Commercial paper	3,800,965	3,800,965	-	P-1
	<u>\$ 53,164,959</u>	<u>\$ 25,472,404</u>	<u>\$ 27,692,555</u>	

NOTE 4 RECEIVABLES

Receivables as of June 30, 2023 consist of subsidies from federal, state, and other receivables. A summary of receivables is as follows:

Federal	\$ 2,315,226
State	13,397
Other	<u>6,895,113</u>
TOTAL NET RECEIVABLES	<u>\$ 9,223,736</u>

As of June 30, 2023, the receivables are shown net of an allowance for uncollectible accounts of \$244,557.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Balance 07/01/22	Additions	Deletions	Balance 06/30/23
Leasehold improvements	\$ 223,326	\$ 58,841	\$ (104,076)	\$ 178,091
Furniture and fixtures	103,706	1,727	-	105,433
Equipment	503,939	105,170	-	609,109
Computers	476,466	11,618,131	-	12,094,597
Right to use - equipment	549,076	1,287,352	(549,076)	1,287,352
	1,856,513	13,071,221	(653,152)	14,274,582
Accumulated depreciation	480,618	473,671	(104,076)	2,325,165
Accumulated amortization	470,637	1,024,130	(549,076)	395,232
Total Accumulated depreciation/ amortization	951,255	2,422,294	(653,152)	2,720,397
TOTAL	\$ 905,258	\$ 10,648,927	\$ -	\$ 11,554,185

Depreciation/amortization expense was charged to functions/programs of the School as follows:

Governmental Activities - instructional \$ 2,422,294

NOTE 6 FUNDING

The School receives funding from various local school districts on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis. The School also receives state and federal funding.

NOTE 7 GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state and federal grant and reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for facility lease costs and health services 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 and reimbursement programs, refunds of any money received may be required, and the collectability of any related receivable at June 30, 2023 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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 8 **LEASING ARRANGEMENTS**

The School leases a copier and has office space under a lease agreement with an expiration date in fiscal 2028. At June 30, 2023, the minimum future rental payments under the leasing arrangement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 400,120	\$ 35,175	\$ 435,295
2025	431,653	16,388	448,041
2026	80,964	2,155	83,119
2027	9,148	1,003	10,151
2028	9,058	245	9,303
Total	<u>\$ 930,943</u>	<u>\$ 54,966</u>	<u>\$ 985,909</u>

NOTE 9 **403(b) RETIREMENT PLAN**

The School provides pension benefits for all of its employees through the Reach Cyber Charter School 403(b) Plan. Employees are required to participate from the date of employment, with a mandatory minimum contribution of 5%. The School will match the employees' contributions dollar for dollar up to 5% of their compensation. School contributions to the plan for the year ended June 30, 2023 approximated \$2,513,048.

NOTE 10 **RISK MANAGEMENT**

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

NOTE 11 **PROFESSIONAL SERVICES AGREEMENT**

The School entered into an agreement with Connections Educations, LLC (CE) for curriculum, school management services, instruction, technology, and other services. The agreement commenced on July 1, 2020 and expires on the earlier of five years or the expiration of the renewal charter. Under the contract, CE will provide direct materials/services or procurement and payment of services for the following:

1. Instructional materials as approved by the board
2. Administrative personnel, including health and other benefits, as approved by the Board where required

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 PROFESSIONAL SERVICES AGREEMENT (cont'd)

3. Educational support services for participating families
4. Training and other professional development as approved by the Board
5. Hardware and software as approved by the Board
6. Technical support for any hardware and software provided under the contract
7. Maintenance of student records
8. Services to special needs students as required by law
9. Administrative services including expenditures for a facility and capital, both of which require Board approval
10. Financial, treasury and other reporting as required by law
11. Student recruiting and community education
12. General school management

For all services, the School reimburses CE according to the terms of the contract based on documentation that is reviewed and approved by the Board. Total chargers from CE amounted to \$41,810,779 for the year ended June 30, 2023. The school and CE agreed to part ways and abandon the contract starting July 1, 2023.

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2023:

Noninstructional services	\$	898,647
Debt Service	\$	392,298
Capital Outlays	\$	13,053,126

The excess of expenditures over appropriations was financed by revenues in excess of budgeted amounts.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through (to be determined), the date the financial statements were available to be issued.

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SINGLE AUDIT SUPPLEMENT

DRAFT - FOR DISCUSSION PURPOSES ONLY

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

(to be determined)

To the Board of Trustees
Reach Cyber Charter School
Harrisburg, 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 governmental activities and the major fund of Reach Cyber Charter School ("the School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated (to be determined).

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 opinions 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.

To the Board of Trustees
Reacht Cyber-Charter School

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

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

(to be determined)

To the Board of Trustees
Reach Cyber Charter School
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Reach Cyber Charter School ("the School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June 30, 2023. 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 complied, 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, 2023.

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 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 program.

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.

Report on 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 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 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.

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

**REACH CYBER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

DRAFT - FOR DISCUSSION PURPOSES ONLY

Federal Grantor/Pass-through Grantor Project Title	SOURCE CODE	ALN	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 6/30/2022	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2023
U.S. Department of Education										
Passed through Pennsylvania Department of Education										
Title I - Grants to Local Education Agencies	I	84.010	013-22-1150	07/01/21-09/30/22	\$ 3,010,662	\$ -	\$ (183,285)	\$ 183,285	\$ 183,285	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-23-1150	07/01/22-09/30/23	2,969,812	2,786,584	-	2,786,516	2,786,516	(68)
Title I - Program Improvement Set Aside			042-22-1150	08/28/22-09/30/23	89,090	89,090	-	89,090	89,090	-
Total ALN 84.010						2,875,674	(183,285)	3,058,891	3,058,891	(68)
Title II - Improving Teacher Quality	I	84.367	020-22-1150	07/01/21-09/30/22	293,867	-	(32,884)	32,884	32,884	-
Title II - Improving Teacher Quality	I	84.367	020-23-1150	07/01/22-09/30/23	265,710	215,932	-	232,826	232,826	16,894
Total ALN 84.367						215,932	(32,884)	265,710	265,710	16,894
Title IV - Student Support and Academic Enrichment	I	84.424	144-22-1150	07/01/21-09/30/22	221,223	-	(37,291)	37,291	37,291	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-23-1150	07/01/22-09/30/23	236,230	225,166	-	236,361	236,361	11,195
Total ALN 84.424						225,166	(37,291)	273,652	273,652	11,195
Elementary and Secondary School Emergency Relief Fund II	I	84.425D	200-21-1150	03/13/20-09/30/23	10,836,449	3,536,937	1,951,258	1,585,679	1,585,679	-
American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	223-21-1150	03/13/20-09/30/24	21,973,613	6,791,844	(1,598,081)	9,390,896	9,390,896	1,000,971
Homeless Children and Youth	I	84.425W	181-21-2365	07/01/20-09/30/21	62,381	15,995	5,050	9,859	9,859	(1,086)
ESSER 7% Reserve	I	84.425U	225-21-1150	03/13/20-09/30/24	1,707,844	496,827	60,103	988,780	988,780	552,056
Total ALN 84.425						10,841,603	418,330	11,975,214	11,975,214	1,551,941
Subgrant from U.S. Department of Education										
Passed through Capital Area Intermediate Unit										
Title III - Language Instruction for English Learners	I	84.365	N/A	07/01/21-09/30/22	2,000	2,000	2,000	-	-	-
Title III - Language Instruction for English Learners	I	84.365	N/A	07/01/22-09/30/23	7,288	-	-	6,195	6,195	6,195
Total ALN 84.365						2,000	2,000	6,195	6,195	6,195
Individuals with Disabilities Education										
Act Part B	I	84.027	N/A	07/01/21-09/30/22	1,522,446	261,220	261,220			-
Individuals with Disabilities Education										
Act Part B	I	84.027	N/A	07/01/22-09/30/23	1,551,723	834,606		1,551,723	1,551,723	717,117
COVID-19 Relief Funding-American Rescue Plan:										
Individual with Disabilities Education Act Part B	I	84.027X	N/A	07/01/21-09/30/22	377,720	248,517	377,720	(117,251)	(117,251)	11,952
Individuals with Disabilities Education										
Act Preschool	I	84.173	N/A	07/01/22-09/30/23	2,827	2,827		2,827	2,827	-
Total Special Education Cluster						1,347,170	638,940	1,437,299	1,437,299	729,069
Total U.S. Department of Education						15,507,545	805,810	17,016,961	17,016,961	2,315,226
TOTAL FEDERAL AWARDS						<u>\$ 15,507,545</u>	<u>\$ 805,810</u>	<u>\$ 17,016,961</u>	<u>\$ 17,016,961</u>	<u>\$ 2,315,226</u>

Source Code:
I = Indirect Funding

See accompanying notes to the schedule of expenditures of federal awards

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A **BASIS OF PRESENTATION**

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B **BASIS OF ACCOUNTING**

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, certain expenditures are recorded when the federal obligation is determined.

NOTE C **INDIRECT COST**

The School has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance. For the year ended June 30, 2023, there were no indirect costs included in the schedule of expenditures of federal awards.

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

DRAFT - FOR DISCUSSION PURPOSES ONLY

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? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major program:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> 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:

Assistance Listing Numbers

Name of Federal Program or Cluster

84.425D, 84.425U, 84.425W

Elementary and Secondary School
Emergency Relief

84.010

Title I - Grants to Local Education Agencies

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

None.

PART C – FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.