



**OLNEY CHARTER HIGH SCHOOL
AN ASPIRA, INC. OF PENNSYLVANIA SCHOOL**

**Financial Statements and
Supplementary Information**

June 30, 2015

**(With Summarized Comparative Financial Information
For the Year Ended June 30, 2014)**

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
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(With Summarized Comparative Financial Information for the Year Ended June 30, 2014)

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Independent Auditors' Report

To the Board of Trustees,
Olney Charter High School
An Aspira, Inc. of Pennsylvania School:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Olney Charter High School (the "School") as of June 30, 2015, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Olney Charter High School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Olney Charter High School's June 30, 2014 financial statements and we have expressed an unmodified audit opinion on these financial statements in our audit report dated February 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent in all material respects, with the audited financial statements from which it is has been derived.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in 2015, the entity adopted new accounting guidance for GASB 68. Our opinion is not modified with respect to this matter.

Other Matters

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. In addition, the schedule of revenues, expenditures and changes in fund balance - budget and actual – governmental funds, as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

In addition, the management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of the Olney Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Olney Charter High School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "William Smith + Brown, PC". The signature is written in a cursive, flowing style.

December 15, 2015
Philadelphia, Pennsylvania

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Management's Discussion and Analysis
June 30, 2015
(With Summarized Comparative Financial Information for the Year June 30, 2014)

The Board of Trustees of Olney Charter High School, An Aspira, Inc. of Pennsylvania 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, 2015. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- The School was required to adopt GASB 68 relative to its participation in the Commonwealth of Pennsylvania's Public School Employees' Retirement System (PSERS). Charter Schools are required to offer this retirement plan to their employees as a condition of their charter. The Commonwealth controls all aspects of the plan including assets and administration. The School makes contributions as defined by the Commonwealth. Historically, the School has recorded its contributions to the plan as expenses in the year these contributions were required by the Commonwealth. With the adoption of GASB 68, the School is required to record a liability for its proportionate share of the PSERS plan and expenses related to the performance of plan administration against its goals. The School recorded an adjustment to net assets of \$32,096,779 for the net liability as of June 30, 2014 as well as \$3,031,655 in expenses related to plan administrative performance in addition to the required contributions of \$1,963,102. All public schools in Pennsylvania who participate in PSERS are being required to record a proportionate share of the \$39,580,717,000 liability in their financial statements. Management is of the opinion that it is highly unlikely the School will ever be required to pay this liability.
- At the close of the current fiscal year, the School reported ending net assets (deficit) of (\$28,998,568) for the year ending June 30, 2015, due to the required adjustments of GASB 68. This represents a decrease in net assets of \$34,348,030 for the year ended June 30, 2015. Without these adjustments, the School would have recorded an increase of \$780,404.
- The School's cash balance at June 30, 2015 was \$1,474,326 representing a decrease of \$2,260,226 from June 30, 2014.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: management's discussion and analysis (this section), the basic financial statements, budgetary comparison and report required under *Government Auditing Standards* and OMB Circular A-133.

Government-Wide Financial Statements

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

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

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

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

**Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Management's Discussion and Analysis
June 30, 2015**

(With Summarized Comparative Financial Information for the Year June 30, 2014)

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has three governmental funds - general, food services and student activities.

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 assets may serve over time as a useful indicator of the School's financial position. However, in the case of the School, as a result of the application of GASB 68, net assets is not a useful indicator of the School's financial position liabilities exceeded assets by \$28,998,568 as of June 30, 2015. The deficit in the School's net assets is due to the required recording of its proportionate share of the entire PSERS plan and expenses related to the performance of plan administration in Fiscal Year 2015 with the application of GASB 68. Historically these liabilities were recorded by PSERS in their financial statements.

	2015	2014
Total assets	\$ 11,685,599	\$ 9,863,379
Total liabilities	<u>40,684,167</u>	<u>4,513,917</u>
Total net assets	<u>\$ (28,998,568)</u>	<u>\$ 5,349,462</u>

The School's revenues are predominantly from the School District of Philadelphia, based on student enrollment.

	2015	2014
Revenues		
Local education agencies	\$ 19,684,476	\$ 20,218,091
Other sources	618,419	252,056
State sources	547,012	1,692,621
Federal sources	<u>3,453,128</u>	<u>6,057,008</u>
	24,303,035	28,219,776
Expenditures		
Instruction	14,692,943	16,680,349
Student support services	1,214,265	1,495,133
Administration support	2,932,677	2,819,586
Pupil health	207,852	217,626
Business services and operations	2,456,505	2,601,607
Food services	1,227,574	732,699
Student activities	125,238	558,064
Depreciation	665,577	515,938
GASB 68 expense adjustment (SEE FOOTNOTE 10)	<u>3,031,655</u>	<u>--</u>
	<u>26,554,286</u>	<u>25,621,002</u>
Change in net assets	(2,251,251)	2,598,774
Net assets, beginning of year, as previously stated	5,349,462	2,750,688
GASB 68 prior period adjustment (SEE FOOTNOTE 10)	<u>(32,096,779)</u>	<u>--</u>
Net assets (deficit), beginning of year, restated	<u>(26,747,317)</u>	<u>2,750,688</u>
Net assets (deficit), ending	<u>\$ (28,998,568)</u>	<u>\$ 5,349,462</u>

**Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Management's Discussion and Analysis
June 30, 2015
(With Summarized Comparative Financial Information for the Year June 30, 2014)**

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 School's governmental funds, (the General and Student Activities Funds), reported an ending fund balance of (\$30,161,365). For the year ended June 30, 2015 the School's expenses (\$26,581,834) exceeded revenues (24,303,035) by 2,278,799. For the year ended June 30, 2014, the School's revenues (\$28,219,776) were greater than its expenditures (\$26,026,791) by \$2,192,985.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the School's investment in capital assets for its governmental activities totals \$3,732,042. This investment in capital assets includes classroom, office furniture and equipment and leasehold improvements.

Major capital asset purchases during the year included the following:

- Furniture and equipment amounting to \$242,467
- Leasehold improvements amounting to \$557,269

Additional information on the School's capital assets can be found in Note 4 of this report. There were capital lease obligations related to the investment in capital assets amounting to \$810,145 at June 30, 2015.

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue, the per student subsidy provided by the School District of Philadelphia, will increase by approximately \$474,000 for fiscal year 2015-2016, due to a decreased subsidy per student of \$42 for regular education and an increased subsidy per student of \$1,034 for special education.

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 Academic Officer, Olney Charter High School, An Aspira, Inc. of Pennsylvania School, 100 W Duncannon Avenue, Philadelphia, PA 19120.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Statement of Net Assets
June 30, 2015

(With Summarized Comparative Financial Information for the Year June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 1,474,326	\$ 3,734,552
State subsidies receivable	577,133	931,551
Federal subsidies receivable	1,998,459	2,245,515
Other receivables	328,950	--
Prepays	130,400	9,110
Due from related parties	2,582,942	984,678
Total current assets	<u>7,092,210</u>	<u>7,905,406</u>
Capital assets - net of depreciation		
Construction in progress	--	119,190
Furniture and equipment	570,267	993,377
Leasehold improvements	1,402,675	845,406
	<u>1,972,942</u>	<u>1,957,973</u>
Non-current assets		
Deferred outflows of resources (SEE FOOTNOTE 10)	2,620,447	--
Total non-current assets	<u>2,620,447</u>	<u>--</u>
Total assets	<u>\$ 11,685,599</u>	<u>\$ 9,863,379</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 1,440,745	\$ 1,017,780
Accrued payroll and payroll taxes	2,647,498	2,328,790
Refundable advances	--	20,173
Due to related parties	--	324,450
Current portion of obligations under capital lease	440,471	341,307
Total current liabilities	<u>4,528,714</u>	<u>4,032,500</u>
Long-term liabilities		
Obligations under capital lease	369,674	481,417
Deferred inflows of resources	2,537,779	--
Net pension liability	33,248,000	--
Total long-term liabilities	<u>36,155,453</u>	<u>481,417</u>
Total liabilities	40,684,167	4,513,917
Net assets		
Invested in capital assets, net of related debt	1,162,797	1,135,249
Unrestricted	3,003,967	4,214,213
Unrestricted- net pension liability (SEE FOOTNOTE 10)	<u>(33,165,332)</u>	<u>--</u>
Total net assets (deficit)	<u>(28,998,568)</u>	<u>5,349,462</u>
	<u>\$ 11,685,599</u>	<u>\$ 9,863,379</u>

The Notes to Financial Statements are an integral part of this statement.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Statement of Activities
Year Ended June 30, 2015
(With Summarized Comparative Financial Information for the Year Ended June 30, 2014)

Functions	Expenses	Program Revenues		2015	2014
		Charges for Service	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
				Total Governmental Activities	Total Governmental Activities
Governmental activities					
Instruction	\$ 14,692,943	\$ --	\$ 2,657,672	\$ (12,035,271)	\$ (11,301,845)
Student support services	1,214,265	--	--	(1,214,265)	(1,495,133)
Administrative support	2,932,677	--	--	(2,932,677)	(2,819,586)
Pupil health	207,852	--	--	(207,852)	(217,626)
Business services and operations	2,456,505	--	--	(2,456,505)	(2,601,607)
Food services	1,227,574	--	795,456	(432,118)	(54,195)
Student activities	125,238	148,203	--	22,965	(444,931)
Depreciation	665,577	--	--	(665,577)	(515,938)
GASB 68 adjustment expense (FOOTNOTE 10)	3,031,655	--	--	(3,031,655)	--
	26,554,286	148,203	3,453,128	(22,952,955)	(19,450,861)
General Revenues					
State grants and reimbursements				547,012	1,692,621
Local educational agencies				19,684,476	20,218,091
All other revenue				470,216	138,923
				<u>20,701,704</u>	<u>22,049,635</u>
Change in net assets				(2,251,251)	2,598,774
Net assets - beginning of year, as previously stated				5,349,462	2,750,688
GASB 68 prior period adjustment (SEE FOOTNOTE 10)				(32,096,779)	--
Net assets (deficit) - beginning of year, restated				<u>(26,747,317)</u>	<u>2,750,688</u>
Net assets (deficit) - end of year				<u>\$ (28,998,568)</u>	<u>\$ 5,349,462</u>

The Notes to Financial Statements are an integral part of this statement.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Balance Sheet – Governmental Funds
June 30, 2015

(With Summarized Comparative Financial Information for the Year June 30, 2014)

Functions	General Fund	Student Activities Fund	2015 Total Governmental Activities	2014 Total Governmental Activities
Assets				
Cash and cash equivalents	\$ 1,377,717	\$ 96,609	\$ 1,474,326	\$ 3,734,552
State subsidies receivable	577,133	--	577,133	931,551
Federal subsidies receivable	1,998,459	--	1,998,459	2,245,515
Other receivables	328,950	--	328,950	--
Prepays	130,400	--	130,400	9,110
Due from related parties	2,582,942	--	2,582,942	984,678
Deferred outflows of resources (SEE FOOTNOTE 10)	2,620,447	--	2,620,447	--
	<u>\$ 9,616,048</u>	<u>\$ 96,609</u>	<u>\$ 9,712,657</u>	<u>\$ 7,905,406</u>
Liabilities				
Accounts payable	\$ 1,440,745	\$ --	\$ 1,440,745	\$ 1,017,780
Salaries and contracts payable	2,647,498	--	2,647,498	2,328,790
Refundable advances	--	--	--	20,173
Due to related parties	--	--	--	324,450
Deferred inflows of resources (SEE FOOTNOTE 10)	2,537,779	--	2,537,779	--
Net pension liability (SEE FOOTNOTE 10)	33,248,000	--	33,248,000	--
Total liabilities	<u>39,874,022</u>	<u>--</u>	<u>39,874,022</u>	<u>3,691,193</u>
Fund Balances				
Unrestricted fund balances (deficit)- net pension liability	(33,165,332)	--	(33,165,332)	--
Unrestricted fund balances	2,907,358	96,609	3,003,967	4,214,213
Total fund balances	<u>\$ 9,616,048</u>	<u>\$ 96,609</u>	<u>\$ 9,712,657</u>	<u>\$ 7,905,406</u>

The Notes to Financial Statements are an integral part of this statement.

**Olney Charter High School
 An Aspira, Inc. of Pennsylvania School
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
 June 30, 2015**

Total Fund Balances for Governmental Funds \$ (30,161,365)

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Furniture and equipment	\$ 2,026,743	
Leasehold improvements	1,705,299	
Accumulated depreciation	(1,759,100)	
Obligations under capital leases	<u>(810,145)</u>	
		<u>1,162,797</u>

Total net assets of governmental activities \$ (28,998,568)

The Notes to Financial Statements are an integral part of this statement.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds
Year Ended June 30, 2015
(With Summarized Comparative Financial Information for the Year June 30, 2014)

Functions	General Fund	Food Services Fund	Student Activities Fund	2015 Total Governmental Activities	2014 Total Governmental Activities
Revenues					
Local educational agency assistance	\$ 19,684,476	\$ --	\$ --	\$ 19,684,476	\$ 20,218,091
Other sources	470,216	--	148,203	618,419	252,056
State sources	508,467	38,545	--	547,012	1,692,621
Federal sources	2,696,217	756,911	--	3,453,128	6,057,008
	<u>23,359,376</u>	<u>795,456</u>	<u>148,203</u>	<u>24,303,035</u>	<u>28,219,776</u>
Expenditures					
Instruction	15,386,068	--	--	15,386,068	17,602,076
Support services	1,214,265	--	--	1,214,265	1,495,133
Administrative support	2,932,677	--	--	2,932,677	2,819,586
Pupil Health	207,852	--	--	207,852	217,626
Business services and operations	2,456,505	--	--	2,456,505	2,601,607
Food services	--	1,227,574	--	1,227,574	732,699
Student activities	--	--	125,238	125,238	558,064
GASB 68 expense adjustment (SEE FOOTNOTE 10)	3,031,655	--	--	3,031,655	--
	<u>25,229,022</u>	<u>1,227,574</u>	<u>125,238</u>	<u>26,581,834</u>	<u>26,026,791</u>
Excess (deficiency) of revenues over expenditures	(1,869,646)	(432,118)	22,965	(2,278,799)	2,192,985
Other financing sources (uses)					
Transfer in	--	432,118	42,997	475,115	528,265
Transfer out	(475,115)	--	--	(475,115)	(528,265)
	<u>(475,115)</u>	<u>432,118</u>	<u>42,997</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(2,344,761)	--	65,962	(2,278,799)	2,192,985
Fund balances - beginning of year, as previously stated	4,183,566	--	30,647	4,214,213	2,021,228
GASB 68 prior period adjustment (SEE FOOTNOTE 10)	(32,096,779)	--	--	(32,096,779)	--
Fund balances (deficit) - beginning of year, restated	<u>(27,913,213)</u>	<u>--</u>	<u>30,647</u>	<u>(27,882,566)</u>	<u>2,021,228</u>
Fund balances (deficit) - end of year	<u>\$ (30,257,974)</u>	<u>\$ --</u>	<u>\$ 96,609</u>	<u>\$ (30,161,365)</u>	<u>\$ 4,214,213</u>

The Notes to Financial Statements are an integral part of this statement.

**Olney Charter High School
 An Aspira, Inc. of Pennsylvania School
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (2,278,799)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	680,546
Payments under capital leases	12,579
Depreciation expense	<u>(665,577)</u>

Change in Net Assets of Governmental Activities \$ (2,251,251)

The Notes to Financial Statements are an integral part of this statement.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Purpose of Corporation

Olney Charter High School, an Aspira, Inc. of Pennsylvania School (the "School") was incorporated in June 2011 under the non-profit corporation law of the Commonwealth of Pennsylvania and began operations in September 2011. The School serves grades nine through twelve and is located in Philadelphia, Pennsylvania. The School obtained its charter as a result of the School District of Philadelphia Renaissance Schools Initiative. The School operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997 and is operating under a charter school contract ending on June 30, 2015. The application for the renewal of the School's charter has been filed and is awaiting approval. Currently, the School is operating on an approved on year extension. The net assets of the School would remain with the School if its charter were not renewed. The School has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the School is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") pronouncement. In addition, there are no component units as defined in the standards established for defining and reporting on the financial reporting entity.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments that have implemented the accounting pronouncement on financial reporting for state and local governments, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments".

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

- Government-wide Financial Statements - the statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by providers have been met.
- Fund Financial Statements - governmental funds 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, as under accrual accounting. The government reports the following major governmental funds:

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- General Fund - The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School, excluding food services and student activities.
- Food Services Fund - The Food Services Fund is used to account for food service revenues and expenditures.
- Student Activities Special Revenue Fund - The Student Activities Special Revenue Fund is used to account for student activity revenues and expenditures.

Method of Accounting

The School has adopted the provision of the accounting pronouncement on financial reporting for state and local governments. The accounting pronouncement on financial reporting for state and local governments established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets (deficit), and a statement of activities and changes in net assets (deficit). It requires the classification of net assets (deficit) into three components - invested in capital assets, net of related debt; restricted; and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The School presently has not incurred any related debt.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net assets.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested" in capital assets, net of related debt.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the governmental funds.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a governmental funds budget. The original budget was filed and accepted by the Labor, Education and Community Services Comptroller's Office in July 2014 and is the final budget as well. The budget is required supplementary information.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk consist of cash and cash equivalents, contributions and grants receivables. Cash and cash equivalents are held primarily at one high-credit quality financial institution. At various times during the years ended June 30, 2015 and 2014

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funds held at this financial institution may have exceeded the FDIC insurance limit. At June 30, 2015 and 2014, the School received seventy percent and seventy-seven percent, respectively of their total revenue from one source.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including state and federal subsidies receivable, accounts payable and salary and contracts payable approximate their fair values because of the relatively short maturity of these investments.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure as they lease the building from the School District of Philadelphia. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets. The estimated useful lives of furniture and equipment range from five to seven years. Leasehold improvements are amortized over the life of the lease.

Income Tax Status

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The School had no unrecognized tax benefits at June 30, 2015 and 2014. In addition, the School had no income tax related penalties or interest for the period reported in these financial statements.

3. Cash and Cash Equivalents

The School considers all highly liquid debt instruments purchased with a maturity of three months or less at the time of acquisition to be cash equivalents.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. For the years ended June 30, 2015 and 2014, \$725,060 and \$3,091,915 of the School's bank balance was exposed to custodial credit risk as follows:

	2015	2014
Uninsured and uncollateralized	\$ 725,060	\$ 3,091,915
Plus: Insured amount	250,000	750,000
Less: Outstanding checks	(329,060)	(783,286)
Plus: Deposits in transit	828,170	675,828
Carrying amount - bank balances	<u>1,474,170</u>	<u>3,734,457</u>
Plus: Petty cash	156	95
Total cash per financial statements	<u><u>\$ 1,474,326</u></u>	<u><u>\$ 3,734,552</u></u>

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4. Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 were as follows:

	Balance July 1, 2014	Deletions	Additions	Balance June 30, 2015
Construction in progress	\$ 119,190	\$ (119,190)	\$ --	\$ --
Furniture and equipment	1,784,276	--	242,467	2,026,743
Leasehold improvements	1,148,030	--	557,269	1,705,299
	<u>3,051,496</u>	<u>(119,190)</u>	<u>799,736</u>	<u>3,732,042</u>
Less: Accumulated depreciation	1,093,523	--	665,577	1,759,100
	<u>1,957,973</u>	<u>(119,190)</u>	<u>134,159</u>	<u>1,972,942</u>
Capital assets, net	<u>\$ 1,957,973</u>	<u>\$ (119,190)</u>	<u>\$ 134,159</u>	<u>\$ 1,972,942</u>

	Balance July 1, 2013	Deletions	Additions	Balance June 30, 2014
Construction in progress	\$ --	\$ --	\$ 119,190	\$ 119,190
Furniture and equipment	1,497,159	--	287,117	1,784,276
Leasehold improvements	952,835	--	195,195	1,148,030
	<u>2,449,994</u>	<u>--</u>	<u>601,502</u>	<u>3,051,496</u>
Less: Accumulated depreciation	577,585	--	515,938	1,093,523
	<u>1,872,409</u>	<u>--</u>	<u>85,564</u>	<u>1,957,973</u>
Capital assets, net	<u>\$ 1,872,409</u>	<u>\$ --</u>	<u>\$ 85,564</u>	<u>\$ 1,957,973</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$665,577 and \$515,938, respectively.

5. Capital Leases

The School leases furniture, under capital leases, with a total original cost of \$1,957, for both of the years ended June 30, 2015 and 2014. The leases will be paid off between 2016 and 2019, with monthly principal and interest payments of \$31,866. The interest rate on these capital leases range from 6.9 percent to 7.1 percent. Furniture and equipment is included in property and equipment in the statements of net assets at June 30, 2015 and 2014 as follows:

	2015	2014
Furniture and equipment	\$ 1,957,704	\$ 1,585,331
Less: Accumulated depreciation	<u>(871,165)</u>	<u>(700,190)</u>
	<u>\$ 1,086,539</u>	<u>\$ 885,141</u>

The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments are as follows:

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Year Ending June 30	Amount
2016	\$ 440,471
2017	211,024
2018	109,452
2019	<u>49,198</u>
Net minimum lease payment	810,145
Less: Current portion	<u>440,471</u>
Long-term obligations under capital leases	<u><u>\$ 369,674</u></u>

6. Local Educational Agency Revenue

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. The majority of the students of the School reside in Philadelphia. For the years ended June 30, 2015 and 2014, the rate for the School District of Philadelphia was \$7,992 and \$8,597, respectively per year for regular education students plus additional funding for special education students. The annual rate is earned monthly and paid when billed by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from local sources was \$19,684,476 and \$20,218,091 for the fiscal years ended June 30, 2015 and 2014, respectively.

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 retirement (pension) expense, 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, 2015 and 2014 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.

8. Leasing Arrangements

The School incurs a facilities charge, levied by the School District of Philadelphia, under a license agreement by which the School occupies the building located at 100 West Duncannon Avenue, Philadelphia, PA. Total facilities charges for each of the years ended June 30, 2015 and 2014 amounted to \$634,582. Under the agreement, the School District provided snow and waste removal, and landscaping and grounds keeping for grounds and athletic facilities, utilities, and occupancy for the School. The agreement is for a term of five years and is set to expire on June 30, 2016.

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9. Pensions

General Information about the Pension Plan

Plan description

PSERS is a governmental cost sharing multi-employer defined pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided:

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2 percent or 2.5 percent depending upon membership class, or the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member contributions are as follows:

-Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.5 percent (Membership Class T-D) of the member's qualifying compensation.

-Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.

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-Members who joined the System after June 30, 2001, contribute at 7.5 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

-Member who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute 10.3 percent (base rate) of the member's qualifying compensation.

Membership T-E and Class T-F are affected by "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

Employer contributions:

The School's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the fiscal years ended June 30, 2015 and 2014 were \$1,963,102 and \$1,512,221, respectively. As a result of the changes in the net pension liability, the GASB 68 expense for the years ended June 30, 2015 and 2014 was \$3,031,655 and \$-0-, respectively.

10. Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension:

In prior years, the School recognized required contributions to the PSERS pension plan as operational expenses in the year they were required to be made. As of July 1, 2014, the School was required to implement GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), where the Charter School's portion of this pension liability and associated expense needed to be recorded through June 30, 2014. Under generally accepted accounting principles, pension expense should be recognized at the time when the expense had incurred and an associated liability should be recorded. Accordingly, a prior period adjustment is required to reflect the amount of net pension expense from the System which existed as of the date of the School's inception.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows resources to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSER's fiduciary net position have been determined on the same basis as reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 and 2013. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School's proportion was 0.0840 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2013.

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As of July 1, 2014, net assets has been restated as follows:

	<u>Unrestricted</u>	<u>Investment in Capital Assets</u>	<u>Total</u>
Net assets, July 1, 2014, as previously reported	\$ 4,214,213	\$ 1,135,249	\$ 5,349,462
To record net pension liability due to PSERS	<u>(32,096,779)</u>	<u>--</u>	<u>(32,096,779)</u>
Net assets, July 1, 2014, as restated	<u>\$ (27,882,566)</u>	<u>\$ 1,135,249</u>	<u>\$ (26,747,317)</u>

For the year ended June 30, 2015, the School recognized pension expense of \$1,963,102. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ --	\$ --
Changes in assumptions	--	--
Net difference between projected and actual investment earnings	--	(2,377,000)
Changes in proportions	626,126	--
Difference between employer contributions and proportionate share of total contributions	--	(160,779)
Contributions subsequent to the measurement date	<u>1,994,321</u>	<u>--</u>
	<u>\$ 2,620,447</u>	<u>\$ (2,537,779)</u>

\$2,620,447 reported as deferred outflows of resources related to pensions resulting from the School's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (474,595)
2017	(474,595)
2018	(474,595)
2019	(474,595)
2020	17,948

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Actuarial assumptions:

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment return – 7.5 percent, includes inflation at 3.00 percent
- Salary increases – Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent and merit or seniority increases 1.50 percent
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>
Public markets global equity	19%
Private markets (equity)	21%
Private real estate	13%
Global fixed income	8%
U.S. long treasuries	3%
TIPS	12%
High yield bonds	6%
Cash	3%
Absolute return	10%
Risk party	5%
MLPs/Infrastructure	3%
Commodities	6%
Financing (LIBOR)	-9%
	100%

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The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contribution from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate:

The following presents the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
School's proportionate share of the net pension liability	<u>\$ 41,472,000</u>	<u>\$ 33,248,000</u>	<u>\$ 26,227,000</u>

Pension plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

11. Related Party

The School is one of five Aspira, Inc. of Pennsylvania Charter Schools. The other four schools in the group are Eugenio Maria De Hostos Charter School ("Hostos"), Antonia Pantoja Charter School ("Pantoja"), Aspira Bilingual Cyber Charter School ("Cyber") and John B. Stetson Charter School ("Stetson") Each School has its own Board of Trustees, consisting of six members, one of which is a parent member.

Each Board member serves on all five school Boards, except for the parent members, who serve only on the Board of their child's school.

The School is associated with Aspira, Inc. of Pennsylvania ("Aspira"), Aspira Community Enterprises and ACE/Dougherty, LLC, through common economic interests.

The School made payments to Aspira in reimbursement for maintenance, security, IT support and other administrative expenses paid by Aspira in the amount of \$2,691,922 and \$2,985,836 for the years ended June 30, 2015 and 2014, respectively.

All receivable and payables with related parties are unsecured, non-interest bearing and have no repayment terms.

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	2015		2014	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Adpira, Inc. of Pennsylvania	\$ 2,516,821	\$ --	\$ 984,678	\$ --
Antonia Pantoja Charter School	21,400	--	--	56,993
ACE/Dougherty, LLC	--	--	--	100,000
Eugenio Maria de Hostos Charter School	14,588	--	--	39,380
John B. Stetson Charter School	23,172	--	--	90,731
Aspira Bilingual Cyber Charter School	6,961	--	--	37,346
	<u>\$ 2,582,942</u>	<u>\$ --</u>	<u>\$ 984,678</u>	<u>\$ 324,450</u>

12. Commitments and Contingencies

The School is involved in legal proceedings arising in the ordinary course of business. In the opinion of management, the outcome of any proceedings cannot be predicted. Ultimate liability of the School in connection with its legal proceedings will not have a material adverse effect on the financial position or activities of the School.

13. Subsequent Events

The School has evaluated subsequent events occurring after the statement of net assets date through the date of December 15, 2015 which is the date the financial statements were available to be issued. Based on this evaluation, the School has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

Olney Charter High School
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Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual – Governmental Funds
Year Ended June 30, 2015

	Budget		Actual Amounts	Over (Under) Final Budget
	Original	Final		
Revenues				
Local educational agency assistance	\$ 20,070,600	\$ 20,070,600	\$ 19,684,476	\$ (386,124)
Other local sources	90,000	90,000	618,419	528,419
State sources	2,002,900	254,600	547,012	292,412
Federal sources	2,502,800	2,513,400	3,453,128	939,728
	<u>24,666,300</u>	<u>22,928,600</u>	<u>24,303,035</u>	<u>1,374,435</u>
Expenditures				
Instruction	16,758,241	15,067,381	15,386,068	318,687
Support services	1,327,728	1,469,939	1,214,265	(255,674)
Administrative support	2,539,377	2,923,534	2,932,677	9,143
Pupil Health	237,205	227,184	207,852	(19,332)
Business services and operations	2,643,441	2,579,206	2,456,505	(122,701)
Food services	950,341	862,052	1,227,574	365,522
Student activities	220,000	248,538	125,238	(123,300)
GASB 68 adjustment expense (SEE FOOTNOTE 10)	--	--	3,031,655	--
	<u>24,676,333</u>	<u>23,377,834</u>	<u>26,581,834</u>	<u>172,345</u>
Net change in fund balances	(10,033)	(449,234)	(2,278,799)	1,202,090
Fund balances - beginning of year, as previously stated	3,185,514	4,221,724	4,214,213	--
GASB 68 prior period adjustment (SEE FOOTNOTE 10)	--	--	(32,096,779)	--
Fund balances (deficit) - beginning of year, restated	<u>3,185,514</u>	<u>4,221,724</u>	<u>(27,882,566)</u>	<u>--</u>
Fund balances (deficit) - end of year	<u>\$ 3,175,481</u>	<u>\$ 3,772,490</u>	<u>\$ (30,161,365)</u>	<u>\$ 1,202,090</u>

See Independent Auditors' Report.

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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor/ Pass-Through Grantor Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award	Total Received for the Year	Accrued or (Deferred) Revenue at 7/1/14	Revenue Recognized	Expenditures	Accrued or (Deferred) at 6/30/15
U.S. Department of Education										
Pass-Through Pennsylvania										
Department of Education										
Charter School Program Implementation Grant	I	84.282B	U282B110018	10/01/11 - 09/30/14	\$ 600,000	\$ 200,000	\$ 200,000	\$ --	\$ --	\$ --
Title I - Improving Basic Programs	I	84.010	013-15-1110	10/01/14 - 09/30/15	1,163,735	775,823	--	1,117,133	1,117,133	341,310
Title I - Improving Basic Programs	I	84.010	013-14-1110	10/01/13 - 09/30/14	2,428,283	168,665	210,427	25,206	25,206	66,968
Title I - Program Improv Set Aside	I	84.010	013-15-1110	10/01/13 - 09/30/14	15,940	15,940	--	79,699	79,699	63,759
Title II - Improving Teacher Quality	I	84.367	020-15-1110	10/01/14 - 09/30/15	95,140	31,715	--	95,140	95,140	63,425
Title II - Improving Teacher Quality	I	84.367	020-14-1110	10/01/13 - 09/30/14	226,820	14,258	28,517	124	124	14,383
Title III - Language Instruction LEP	I	84.365	010-15-1110	10/01/14 - 09/30/15	92,672	30,891	--	92,672	92,672	61,781
Title III - Language Instruction LEP	I	84.365	010-14-1110	10/01/13 - 09/30/14	184,295	12,286	59,028	2,404	2,404	49,146
21st Century	I	84.287		06/01/12 - 09/30/15	1,497,174	--	--	809,279	809,279	809,279
Title I- SIG (1003g)	I	84.377	139-13-1110	07/01/13 - 06/30/14	1,674,987	478,568	478,568	--	--	--
Title I- SIG (1003g)	I	84.377	139-12-1110	07/01/12 - 06/30/13		625,000	625,000	--	--	--
IDEA	I	84.027		07/01/14 - 06/30/15	474,560	--	--	474,560	474,560	474,560
IDEA	I	84.027		07/01/13 - 06/30/14	523,767	523,767	523,767	--	--	--
Total U.S. Department of Education					8,977,373	2,876,913	2,125,307	2,696,217	2,696,217	1,944,611
U.S. Department of Agriculture										
Pass-Through Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	362	07/01/14 - 06/30/15	--	504,273	--	544,854	544,854	40,581
National School Lunch Program	I	10.555	362	07/01/13 - 06/30/14	--	93,179	93,179	--	--	--
School Breakfast Program	I	10.553	365	07/01/14 - 06/30/15	--	140,745	--	154,012	154,012	13,267
School Breakfast Program	I	10.553	365	07/01/13 - 06/30/14	--	27,029	27,029	--	--	--
Pass-Through Pennsylvania										
Department of Agriculture										
USDA Commodities	I	10.555	2-08-51-346	07/01/14 - 06/30/15	--	58,045	--	58,045	58,045	--
Total U.S. Department of Agriculture					--	823,271	120,208	756,911	756,911	53,848
Total Federal awards						<u>\$ 3,700,184</u>	<u>\$ 2,245,515</u>	<u>\$ 3,453,128</u>	<u>\$ 3,453,128</u>	<u>\$ 1,998,459</u>

D - Direct Funding

I - Indirect Funding

See Independent Auditors' Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

Olney Charter High School
An Aspira, Inc. of Pennsylvania School
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

1. General Information

The accompanying schedule of expenditures of Federal awards presents the activities in all of the Federal financial assistance programs of Olney Charter High School, An Aspira, Inc. of Pennsylvania School. Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or non-profit organizations, are included in the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

3. Relationship to Basic Financial Statements

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to and does not present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures, and changes in fund balances of governmental funds.

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**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**

Independent Auditors' Report

To the Board of Trustees,
Olney Charter High School, An Aspira, Inc. of Pennsylvania School:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Olney Charter High School (the "School") and the related notes to the financial statements, as of and for the year ended June 30, 2015, which collectively comprises the School's basic financial statements and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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 those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withersmith + Brown, PC". The signature is written in a cursive, flowing style.

December 15, 2015
Philadelphia, Pennsylvania

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditors' Report

The Board of Trustees,
Olney Charter High School, An Aspira, Inc. of Pennsylvania School:

Report on Compliance for Each Major Federal Program

We have audited Olney Charter High School's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Olney Charter High School's major Federal programs for the year ended June 30, 2015. Olney Charter High School's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Olney Charter High School's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Olney Charter High School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Olney Charter High School's compliance with those requirements.



Opinion on Each Major Federal Program

In our opinion, Olney Charter High School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Olney Charter High School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Olney Charter High School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Olney Charter High School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withers Smith + Brown, PC".

December 15, 2015
Philadelphia, Pennsylvania

**Olney Charter High School
 An Aspira, Inc. of Pennsylvania School
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015**

Section 1 – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Control deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Control deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

The following Federal program was designated as a major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section 2 – Financial Statement Findings

None reported.

Section 3 – Federal Award Findings and Questioned Costs

None reported.

Section 4 – Follow Up Prior Year Audit Findings

There were no prior year audit findings.