

Esperanza Cyber CS

**Charter Annual Report**

07/01/2013 - 06/30/2014

# School Profile

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## Demographics

4261 N 5th Street  
Philadelphia, PA 19140  
(215)457-3667

Phase:	Phase 2
CEO Name:	David Rossi
CEO E-mail address:	drossi@neacademy.org

# Governance and Staff

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## *Leadership Changes*

Leadership changes during the past year on the Board of Trustees and in the school administration:

Mr. John Rice joined the board as he has been an engaged community member for years and is currently on the board at Esperanza Academy Charter School. Ms. Amanda Roman joined the board as an alumni of Esperanza Charter Schools.

## *Board of Trustees Meeting Schedule*

<b>Location</b>	<b>Date and Time</b>
ACE Conference Center	8/15/2013 9:00 AM
ACE Conference Center	8/16/2013 9:00 AM
Esperanza Academy Charter School	9/26/2013 3:00 PM
Esperanza Academy Charter School	10/24/2013 3:00 PM
Esperanza Academy Charter School	12/5/2013 3:00 PM
Esperanza Academy Charter School	4/24/2014 3:00 PM
Esperanza Academy Charter School	6/12/2014 3:00 PM
ACE Conference Center	8/14/2014 9:00 AM
ACE Conference Center	8/15/2014 9:00 AM
Esperanza Academy Charter School	9/25/2014 3:00 PM
Esperanza Academy Charter School	10/23/2014 3:00 PM
Esperanza Academy Charter School	12/4/2014 3:00 PM
Esperanza Academy Charter School	2/26/2015 3:00 PM
Esperanza Academy Charter School	4/23/2015 3:00 PM
Esperanza Academy Charter School	5/28/2015 3:00 PM

## *Professional Staff Member Roster*

<b>Daniel Christie</b>	
PA Certified	Yes
Areas of Certification	Instructional I, English 7-12
Grades Teaching or Serving	7-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Social Studies
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Aaron Kluza</b>	
PA Certified	Yes
Areas of Certification	Instruction I, English 7-12
Grades Teaching or Serving	7-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	English Language Arts
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Andrew Bleckner</b>	
PA Certified	Yes
Areas of Certification	Intern Mathematics, 7-12
Grades Teaching or Serving	7-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Mathematics
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Thomas Dermody</b>	
PA Certified	Yes
Areas of Certification	Instructional I Chemistry 7-12, Instructional I Earth and Space Science 7-12, Instructional I Biology 7-12
Grades Teaching or Serving	7-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Science
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Rachel Moore</b>	
PA Certified	Yes
Areas of Certification	Administrative I Principal K-12
Grades Teaching or Serving	6-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Spanish

Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Beverly Bohn</b>	
PA Certified	Yes
Areas of Certification	Educational Specialist: Secondary School Counselor
Grades Teaching or Serving	6-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Guidance Counselor
Number of Hours Annually Worked in Assignment	7200
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Liana Diaz-Rivera</b>	
PA Certified	Yes
Areas of Certification	Mid-Level Citizenship Education 6-9, Special Education N-12
Grades Teaching or Serving	6-12
All Areas of Assignment, Subject Areas Teaching, or Services Provided	Special Education Coordinator
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

<b>Carmen Cotto</b>	
PA Certified	Yes
Areas of Certification	Instructional II K-6
Grades Teaching or Serving	6 th
All Areas of Assignment, Subject Areas Teaching, or Services Provided	6th Grade Content
Number of Hours Annually Worked in Assignment	1440
Percentage of Time in Certified Position	100.0
Percentage of Time in Areas Not Certified	0.0

The professional staff member roster as recorded originally on the PDE-414 form

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*Quality of Teaching and Other Staff*

<b>Position Categories</b>	<b>All Employed per Category</b>	<b>Appropriately Certified</b>	<b>Promoted</b>	<b>Transferred</b>	<b>Terminated</b>	<b>Contracted for Following Year</b>
Chief Academic Officer/Director	1.00	1.00	0.00	0.00	0.00	1.00
Principal	1.00	1.00	0.00	0.00	0.00	1.00
Assistant Principal	0.00	0.00	0.00	0.00	0.00	0.00
Classroom Teacher (including Master Teachers)	5.00	5.00	0.00	0.00	0.00	3.00
Specialty Teacher (including Master Teachers)	1.00	0.00	0.00	0.00	0.00	1.00
Special Education Teacher (including Master Teachers)	1.00	1.00	0.00	0.00	0.00	0.00
Special Education Coordinator	1.00	1.00	0.00	0.00	0.00	1.00
Counselor	1.00	1.00	0.00	0.00	0.00	1.00
Psychologist						
School Nurse	0.00	0.00	0.00	0.00	0.00	0.00
<b>Totals</b>	<b>11.00</b>	<b>10.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8.00</b>

**Further explanation:**

As a cyber school with a small student population, nursing and therapy services are contracted through external providers. Also due to size, the special education coordinator serves as both a teacher and a trainer for all staff in order to provide full services to students.

# Fiscal Matters

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## *Major Fundraising Activities*

Major fundraising activities performed this year and planned for next year:

For the school year 2013-2014, less than \$200 was raised with fundraisers through Krispy Kreme donuts; all funds were reinvested into the area of student development. For the school year 2014-2015, Esperanza cyber plans to increase the frequency of donut fundraising days in addition to raising funds through bake sales with ECCS' parent organization and the sale of ECCS branded clothing and school supplies.

## *Fiscal Solvency Policies*

Changes to policies and procedures to ensure and monitor fiscal solvency:

During the 2013-14 fiscal year, the school maintained its accounting records on a computerized system using Sage 100 Fund Accounting for its ledger, accounts receivable, and accounts payable. It is consistent in the use of the Pennsylvania Department of Education Chart of Accounts. The school's reporting system and accounting policies and procedures comply with Gamp.

The Board of Directors may authorize any officer or officers, agent or agents of Esperanza Cyber Charter School hereafter called ECCS, in addition to the officers as authorized by these by-laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of ECCS, and such authority may be general or confined to specific instances. All contracts in excess of \$1500 must be reviewed by Legal Counsel.

All checks or demands for money and notes of ECCS must be signed by officers of ECCS.

All funds of ECCS shall be deposited from time to time to the credit of ECCS in such banks, trust companies or other depositories as the Board of Directors may approve or designate, and all such funds shall be withdrawn only upon checks signed in accordance with the requirements stated above. All checks and or cash received by ECCS must be deposited within three (3) business days of receipt of such funds.

All funds of ECCS shall be set forth in an Annual Report. The ECCS Board shall review and approve an annual budget. Approval of the budget by the ECCS Board of Trustees is required prior to the commencement of the budget spending.

### **Fiscal Solvency Policies**

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

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## *Accounting System*

Changes to the accounting system the charter school uses:

During the 2013-14 fiscal year, the school maintained its accounting records on a computerized system using Sage 100 Fund Accounting for its ledger, accounts receivable, and accounts payable. It is consistent in the use of the Pennsylvania Department of Education Chart of Accounts. The school's reporting system and accounting policies and procedures comply with Gamp.

## *Preliminary Statements of Revenues, Expenditures & Fund Balances*

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

*PDF file uploaded.*

## *Financial Audits*

### **Basics**

Audit Firm:	WithumSmith+Brown
Date of Last Audit:	10/17/2013
Fiscal Year Last Audited:	2012-2013

### **Explanation of the Report**

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

The attached audit was the first for Esperanza Cyber Charter School as it began operation in school year 2012-2013. All stakeholders were duly notified of the ending net asset deficit of \$105,551 (cash balance of \$224,314) as of June 30, 2013. As the school's revenue is based primarily on funding received per pupil, a conscious decision was made to try to attempt to increase enrollment in future years. An additional contributing factor to the deficit are the start-up costs (facilities, materials, etc.) accrued by the school. Future budgets have already been drafted to allow for prompt-repayment of such costs.

### **Financial Audit Report**

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

*PDF file uploaded.*

**Citations**

Financial audit citations and the corresponding Charter School responses

Description	Response
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***Federal Programs Consolidated Review*****Basics**

Title I Status:

Date of Last Federal  
Programs Consolidated  
Review:

School Year Reviewed:

**Federal Programs Consolidated Review Report**

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

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**Citations**

Federal Programs Consolidated Review citations and the corresponding Charter School responses

Description	Response
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# Special Education

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## *Chapter 711 Assurances*

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

## **Special Education Support Services**

<b>Support Service</b>	<b>Location</b>	<b>Teacher FTE</b>
Guidance Counselor	Esperanza Cyber Charter School	40
Special Education Coordinator	Esperanza Cyber Charter School	40

## **Special Education Contracted Services**

<b>Title</b>	<b>Amt. of Time per Week</b>	<b>Operator</b>	<b>Number of Students</b>
School psychologist-evaluations	1 Days	Outside Contractor	12
Therapy Source	1 Days	Outside Contractor	10 or fewer

### ***Special Education Cyclical Monitoring***

Date of Last Special Education Cyclical Monitoring:  
Link to Report (Optional):

Not Provided  
Not Provided

### **Special Education Cyclical Monitoring Report**

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings

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# Facilities

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## *Fixed assets acquired by the Charter School during the past fiscal year*

Fixed assets acquired by the Charter School during the past fiscal year:

There were no fixed assets acquired during this fiscal year in excess of \$5,000.

**The total Charter School expenditures for fixed assets during the identified fiscal year:**

*\$0.00*

## *Facility Plans and Other Capital Needs*

The Charter School's plan for future facility development and the rationale for the various components of the plan:

There are no current plans to change our current facility.

## *Memorandums of Understanding*

Organization	Purpose
Connections Learning	Curricular provider.

**Preliminary Statement of Revenues, Expenditures & Fund Balances**  
**Include ALL Funds**  
**as of June 30, 2014**

Name of School Esperanza Cyber Charter School

Address of School 4261 North 5th street, Philadelphia, PA, 19140

CEO Signature 

**REVENUES**

<b>6000</b>		<b>REVENUE FROM LOCAL SOURCES</b>	
<b>6500</b>		<b>EARNINGS ON INVESTMENTS</b>	
	6510	Interest on Investments and Interest-Bearing Checking Accounts	
	6520	Dividends on Investments	
	6530	Gains or Losses on Sale of Investments	
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	
<b>6600</b>		<b>FOOD SERVICE REVENUE</b>	
	6610	Daily Sales - Reimbursable Programs	
	6620	Daily Sales - Non-Reimbursable Programs	1,222.06
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
<b>6700</b>		<b>REVENUES FROM STUDENT ACTIVITIES</b>	
	6710	Admissions	
	6720	Bookstore Sales	
	6730	Student Organization Membership Dues and Fees	
	6740	Fees	
	6750	Student Activity - Special Events	705.50
	6790	Other Student Activity Income	
<b>6800</b>		<b>REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH</b>	
	6810	Revenue from Local Governmental Units	
	6820	Revenue from Intermediary Sources - Commonwealth Funds	
	6830	Revenues from Intermediary Sources - Federal Funds	
	6890	Other Revenues from Intermediary Sources	

<b>6900</b>		<b>OTHER REVENUE FROM LOCAL SOURCES</b>	
	6910	Rentals	
	6920	Contributions & Donations from Private Sources / Capital Contributions	1,053.00
	6930	Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940	Tuition from Patrons	
	6941	Regular Day School Tuition	
	6942	Summer School Tuition	
	6943	Adult Education Tuition	
	6944	Receipts From Other LEAs in Pennsylvania - Education	1,508,615.48
	6945	Receipts from Out-of-State LEAs	
	6946	Receipts from Member Districts - AVTS / Special Program Jointure only	
	6947	Receipts from Members of Intermediate Units for Education by Withholding	
	6948	Receipts from Members of Intermediate Units for Direct Contributions	
	6949	Other Tuition from Patrons	
	6950	Unassigned	
	6960	Services Provide Other Local Governmental Units / LEAs	
	6961	Transportation Services Provided Other Pennsylvania LEAs	
	6969	All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970	Services Provided Other Funds	
	6980	Revenue from Community Service Activities	
	6990	Refunds and Other Miscellaneous Revenue	
	6991	Refunds of a Prior Year Expenditure	
	6999	Other Revenues Not Specified Above	
<b>7000</b>		<b>REVENUE FROM STATE SOURCES</b>	
7100		<b>BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES</b>	
	7150	Unassigned	
	7160	Tuition for Orphans and Children Placed in Private Homes	
	7180	Staff and Program Development	
7200		<b>REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS</b>	
	7210	Homebound Instruction	
	7220	Vocational Education	
	7230	Alternative Education	
	7240	Driver Education - Student	
	7250	Migratory Children	
	7260	Workforce Investment Act (WIA)	
	7270	Specialized Education of Exceptional Pupils	
	7280	Adult Literacy	

	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	
	7330	Health Services (Medical, Dental, Nurse, Act 25)	
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID BENEFITS	
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	71,670.09
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	
<b>8000</b>		<b>REVENUE FROM FEDERAL SOURCES</b>	
8100		UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	
	8110	Payments for Federally Impacted Areas - P.L. 81-874	
	8190	Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	
8200		UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300		RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310	Payments for Federally Impacted Areas - P.L. 81-815	
	8320	Energy Conservation Grants - TA and ECM	

	8390	Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	
	8510	Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	102,277.00
	8520	Vocational Education	
	8530	Child Nutrition Program	
	8540	Nutrition Education and Training	
	8560	Federal Block Grants	
	8570	Unassigned	
	8580	Child Care and Development Block Grants	
	8590	Unassigned	
8600		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION, WORKFORCE INVESTMENT ACT AND OTHER PROGRAMS	
	8610	Homeless Assistance Act	
	8620	Adult Basic Education	
	8640	Headstart	
	8650	Unassigned	
	8660	Workforce Investment Act (WIA)	
	8670	Unassigned	
	8680	Unassigned	
	8690	Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800		MEDICAL ASSISTANCE REIMBURSEMENTS	
9000		<b>OTHER FINANCING SOURCES</b>	
9100		SALE OF BONDS	
	9110	Bond Issue Proceeds (Gross)	
	9120	Proceeds from Refunding of Bonds	
9200		PROCEEDS FROM EXTENDED TERM FINANCING	
9300		INTERFUND TRANSFERS	
	9310	General Fund Transfers	
	9320	Special Revenue Fund Transfers	

	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	
	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
<b>TOTAL REVENUES</b>			1,685,543.13

**Preliminary Statement of Revenues, Expenditures & Fund Balances**  
**Include ALL Funds**  
**as of June 30, 2014**

Name of School Esperanza Cyber Charter School

Address of School 4261 North 5th street, Philadelphia, PA, 19140

CEO Signature 

Note-Expenditures may be submitted EITHER as accrual or cash basis

**EXPENDITURES**

1000	INSTRUCTION	
1100	REGULAR PROGRAMS - ELEMENTARY / SECONDARY	744,981.76
1200	SPECIAL PROGRAMS - ELEMENTARY / SECONDARY	115,071.69
1300	VOCATIONAL EDUCATION	
1400	OTHER INSTRUCTIONAL PROGRAMS - ELEMENTARY / SECONDARY	
1600	ADULT EDUCATION PROGRAMS	
1700	HIGHER EDUCATION PROGRAMS	
1800	PRE-KINDERGARTEN	
<b>2000</b>	<b>SUPPORT SERVICES</b>	
2100	SUPPORT SERVICES - PUPIL PERSONNEL	82,868.52
2110	Supervision of Pupil Personnel Services	
2120	Guidance Services	
2130	Attendance Services	
2140	Psychological Services	
2150	Speech Pathology and Audiology Services	
2160	Social Work Services	
2170	Student Accounting Services	
2190	Other Pupil Personnel Services	
2200	SUPPORT SERVICES - INSTRUCTIONAL STAFF	23,063.21
2210	Supervision of Educational Media Services	

	2220	Technology Support Services	
	2230	Educational Television Services	
	2240	Computer-Assisted Instruction Support Services	
	2250	School Library Services	
	2260	Instruction and Curriculum Development Services	2,957.42
	2270	Instructional Staff Professional Development Services	23,255.00
	2280	Nonpublic Support Services	
2300		SUPPORT SERVICES - ADMINISTRATION	127,076.75
	2310	Board Services	
	2320	Board Treasurer Services	
	2340	Staff Relations and Negotiations Services	
	2350	Legal Services	21,900.63
	2360	Office of the Superintendent (Executive Director) Services	(12,298.51)
	2370	Community Relations Services	
	2380	Office of the Principal Services	106,264.70
	2390	Other Administration Services	
2400		SUPPORT SERVICES - PUPIL HEALTH	
2500		SUPPORT SERVICES - BUSINESS	88,908.31
	2510	Fiscal Services	7,780.43
	2520	Purchasing Services	
	2530	Warehousing and Distributing Services	
	2540	Printing, Publishing and Duplicating Services	
	2590	Other Support Services - Business	
2600		OPERATION AND MAINTENANCE OF PLANT SERVICES	13,424.14
	2610	Supervision of Operation and Maintenance of Plant Services	
	2620	Operation of Buildings Services	127,329.24
	2630	Care and Upkeep of Grounds Services	
	2640	Care and Upkeep of Equipment Services	6,733.36
	2650	Vehicle Operations and Maintenance Services (Other than Student Transportation Vehicles)	
	2660	Security Services	54,243.35
	2690	Other Operation and Maintenance of Plant Services	14,019.71
2700		STUDENT TRANSPORTATION SERVICES	
	2710	Supervision of Student Transportation Services	
	2720	Vehicle Operation Services	
	2730	Monitoring Services	
	2740	Vehicle Servicing and Maintenance Services	
	2750	Nonpublic Transportation	

	2790	Other Student Transportation Services	377.60
2800		SUPPORT SERVICES - CENTRAL	
	2810	Planning, Research, Development and Evaluation Services	
	2820	Information Services	
	2830	Staff Services	14,082.41
	2840	Data Processing Services	7,380.76
	2850	State and Federal Agency Liaison Services	26,921.02
	2860	Management Services	
	2890	Other Support Services Central	
2900		OTHER SUPPORT SERVICES - CENTRAL	
	2990	Pass-Thru Funds	
<b>3000</b>		<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	
3100		FOOD SERVICES	
3200		STUDENT ACTIVITIES	971.07
	3210	School Sponsored Student Activities	
	3250	School Sponsored Athletics	
3300		COMMUNITY SERVICES	
	3310	Community Recreation	
	3320	Civic Services	
	3330	Public Library Services	
	3340	Custody and Child Care	
	3350	Welfare Activities	
	3390	Other Community Services	
3400		SCHOLARSHIPS AND AWARDS	
<b>4000</b>		<b>FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES</b>	
4100		SITE ACQUISITION SERVICES - ORIGINAL AND ADDITIONAL	
4200		EXISTING SITE IMPROVEMENT SERVICES	
4300		ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS DEVELOPMENT - ORIGINAL AND ADDITIONAL	
4400		ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS - IMPROVEMENTS	

4500	BUILDING ACQUISITION AND CONSTRUCTION SERVICES - ORIGINAL AND ADDITIONAL	
4600	EXISTING BUILDING IMPROVEMENT SERVICES	20,190.52
<b>5000</b>	<b>OTHER EXPENDITURES AND FINANCING USES</b>	
5100	DEBT SERVICE / OTHER EXPENDITURES AND FINANCING USES	3,148.99
5200	FUND TRANSFERS	
5300	TRANSFERS INVOLVING COMPONENT UNITS	
5400	INTRAFUND TRANSFERS OUT	
5800	SUSPENSE ACCOUNT	
5900	BUDGETARY RESERVE	
<b>TOTAL EXPENDITURES</b>		<b>1,620,652.08</b>

**TOTAL REVENUES MINUS TOTAL EXPENDITURES = CURRENT FUND  
BALANCE AS OF JUNE 30, 2014**

**64,891.05**



WithumSmith+Brown  
A Professional Corporation  
Certified Public Accountants and Consultants

**ESPERANZA CYBER CHARTER SCHOOL**

**Financial Statements**

**June 30, 2013 and 2012**

**With Independent Auditors' Reports**

**Esperanza Cyber Charter School**  
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**June 30, 2013 and 2012**

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## Independent Auditors' Report

To the Board of Trustees,  
Esperanza Cyber Charter School:

We have audited the accompanying financial statement of the governmental activity and each major fund of Esperanza Cyber Charter School (the "School") as of June 30, 2013, 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 Esperanza Cyber Charter School as of June 30, 2013, 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.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records, used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and changes in fund balance – budget and actual – governmental funds is fairly stated in all material respects in relating to the financial statements as a whole.

In addition, the management discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by 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 October 17, 2013 on our consideration of the Esperanza Cyber Charter 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 Esperanza Cyber Charter School's internal control over financial reporting and compliance.

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

October 17, 2013

# Esperanza Cyber Charter School

## Management's Discussion and Analysis

### June 30, 2013

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The Board of Trustees of the Esperanza Cyber Charter 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, 2013. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

#### Financial Highlights

- This fiscal year was the first full year of operations for the School.
- Current year revenues of \$1,297,595 are primarily due to the per student subsidy amounts earned for the approximately 109 regular education and 16 special education students enrolled at the School.
- At the close of the current fiscal year, the School reported ending net assets (deficit) of \$(105,551) for the year ending June 30, 2013.
- The School's cash balance at June 30, 2013 was \$224,314.

#### 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*.

#### 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.

#### 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 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.

**Esperanza Cyber Charter School  
Management's Discussion and Analysis  
June 30, 2013**

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**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$105,051 as of June 30, 2013.

Total assets	\$ 549,134
Total liabilities	<u>654,185</u>
Total net assets (deficit)	<u><u>\$ (105,051)</u></u>

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

Revenues	
Local education agencies	\$ 1,193,392
Federal sources	101,992
Other sources	<u>2,211</u>
	1,297,595
Expenditures	
Instruction	812,376
Instruction student support	48,429
Administrative & financial support services	275,240
Other support services	48,300
Operation & maintenance of plant services	186,300
Student activities	7,565
Depreciation	<u>9,346</u>
	<u>1,387,556</u>
Change in net assets	(89,961)
Net assets, beginning	<u>(15,090)</u>
Net assets, ending	<u><u>\$ (105,051)</u></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 School's governmental funds, (the General and Student Activities Funds), reported an ending fund balance of (\$95,705). For the year ended June 30, 2013, the School's expenditures (\$1,378,210) exceeded its revenues (\$1,297,595) by \$80,615.

# **Esperanza Cyber Charter School Management's Discussion and Analysis June 30, 2013**

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## **Governmental Fund Budgetary Highlights**

Some categories of revenues and expenditures varied significantly from those budgeted. Expenses allocated from Nueva Esperanza, Inc. for maintenance, security, IT support and other administrative expenses were not included in the budget due to the deadline of the filing of the budget and the fact that the expenses could not be reasonably estimated.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2013, the School's net investment in capital assets for its governmental activities totals \$88,792 (net of depreciation). This investment in capital assets consists of furniture.

Major capital asset purchases during the year included the following:

- Furniture amounting to \$98,138

Additional information on the School's capital assets can be found in Note 4 of this report. There was a related party note payable related to the investment in capital assets amounting to \$98,138 at June 30, 2013.

## **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 \$95,400 for fiscal year 2013-2014, due to an increase in subsidy per student of \$501 for regular education and an increase in subsidy per student of \$2,582 per special education student. The current amount of students enrolled at Esperanza Cyber Charter School is 125, consisting of 109 Regular Education students and 16 Special Education students, which is expected to increase in fiscal 2013-2014.

## **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, Esperanza Cyber Charter School, 4261 N. 5th Street, Philadelphia, PA 19140.

**Esperanza Cyber Charter School**  
**Statement of Net Assets**  
**June 30, 2013**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 224,314
Federal subsidies receivable	101,992
State subsidies receivable	132,239
Other receivables	200
Prepays	1,597
Total current assets	<u>460,342</u>
Capital assets - net of depreciation	
Computer equipment	<u>88,792</u>
	<u>88,792</u>
	<u>\$ 549,134</u>
<b>Liabilities and Net Assets</b>	
Current liabilities	
Accounts payable	\$ 70,568
Accrued payroll and payroll taxes	108,269
Due to related parties	377,210
Note payable- related party	52,703
Total current liabilities	<u>608,750</u>
Long-term liabilities	
Note payable- related party, net of current portion	<u>45,435</u>
Total liabilities	<u>654,185</u>
Net assets (deficit)	
Invested in capital assets, net of related debt	(9,346)
Unrestricted	(95,705)
Total net assets (deficit)	<u>(105,051)</u>
	<u>\$ 549,134</u>

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

**Esperanza Cyber Charter School**  
**Statement of Activities**  
**Year Ended June 30, 2013**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Total Governmental Activities
Governmental activities				
Instruction	\$ 812,376	\$ --	\$ --	\$ (812,376)
Instruction student support	48,429	--	--	(48,429)
Administrative & financial support services	275,240	--	--	(275,240)
Other support services	48,300	--	--	(48,300)
Operation & maintenance of plant services	186,300	--	--	(186,300)
Student activities	7,565	--	--	(7,565)
Depreciation	9,346	--	--	(9,346)
	<u>1,387,556</u>	<u>--</u>	<u>--</u>	<u>(1,387,556)</u>
<b>General Revenues</b>				
				Grants, subsidies & contributions not restricted
				1,297,595
				<u>1,297,595</u>
				Change in net assets
				(89,961)
				Net assets (deficit) - beginning of year
				<u>(15,090)</u>
				Net assets (deficit) - end of year
				<u>\$ (105,051)</u>

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

**Esperanza Cyber Charter School**  
**Balance Sheet – Governmental Funds**  
**June 30, 2013**

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<u>Functions</u>	<u>General Fund</u>	<u>Student Activities Fund</u>	<u>Total Governmental Activities</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 224,314	\$ --	\$ 224,314
Federal subsidies receivable	101,992	--	101,992
State subsidies receivable	132,239	--	132,239
Other receivables	200	--	200
Prepays	1,597	--	1,597
	<u>\$ 460,342</u>	<u>\$ --</u>	<u>\$ 460,342</u>
<b>Liabilities</b>			
Accounts payable	\$ 70,568	\$ --	\$ 70,568
Accrued payroll and payroll taxes	108,269	--	108,269
Due to related parties	377,210	--	377,210
Total liabilities	<u>556,047</u>	<u>--</u>	<u>556,047</u>
<b>Fund Balances</b>			
Unrestricted fund balances	<u>(95,705)</u>	<u>--</u>	<u>(95,705)</u>
	<u>\$ 460,342</u>	<u>\$ --</u>	<u>\$ 460,342</u>

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

**Esperanza Cyber Charter School**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2013**

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**Total Fund Balances for Governmental Funds** \$ (95,705)

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:

Machinery & equipment	\$	98,138	
Accumulated depreciation		(9,346)	
Note payable- related party		(98,138)	
		(9,346)	(9,346)

Total net assets of governmental activities \$ (105,051)

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

**Esperanza Cyber Charter School**  
**Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds**  
**June 30, 2013**

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<u>Functions</u>	<u>General Fund</u>	<u>Student Activities Fund</u>	<u>Total Governmental Activities</u>
Revenues			
Local educational agency assistance	\$ 1,193,392	\$ --	\$ 1,193,392
Federal sources	101,992	--	101,992
Other sources	2,211	--	2,211
	<u>1,297,595</u>	<u>--</u>	<u>1,297,595</u>
Expenditures			
Instruction	812,087	--	812,087
Support services	371,969	--	371,969
Non-Instructional services	194,154	--	194,154
Debt service- note		--	--
Capital outlay		--	--
	<u>1,378,210</u>	<u>--</u>	<u>1,378,210</u>
Excess (deficiency) of revenues over expenditures	(80,615)	--	(80,615)
Other financing sources (uses)			
Transfer in	--	--	--
Transfer out	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(80,615)	--	(80,615)
Fund balances - beginning of year	<u>(15,090)</u>	<u>--</u>	<u>(15,090)</u>
Fund balances - end of year	<u>\$ (95,705)</u>	<u>\$ --</u>	<u>\$ (95,705)</u>

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

**Esperanza Cyber Charter School**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**June 30, 2013**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (80,615)

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	98,138
Note payable- related party	(98,138)
Depreciation expense	<u>(9,346)</u>

**Change in Net Assets of Governmental Activities** \$ (89,961)

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

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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**1. Organization and Purpose of Corporation**

Esperanza Cyber Charter School is a charter school located in Philadelphia. The School serves grades kindergarten through twelve and is located in Philadelphia, Pennsylvania. The School was established and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997. The Charter School contract was approved effective June 2012 and will expire in June 2017. The net assets of the School would remain with the School if its charter were not renewed. Esperanza Cyber Charter School is a charter school which 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.

Esperanza Cyber Charter School began operations in July 2012. The School provides instruction in the form of interactive distance learning classrooms, one-to-one tutoring, computer-supported collaborative learning, project-based learning, and instruction tailored to each student's individual education needs. Students access their courses online where worksheets, study material, quizzes and tests are all provided for the student to either read and complete on the computer or print for their own reference or completion by hand.

**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.

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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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:

- 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.
- 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 temporarily or permanently 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 accounting period. The School only has a governmental funds budget. The original and final budgets are required supplementary information.

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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**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 and revenue. Cash and cash equivalents are held primarily at one high-credit quality financial institution. At June 30, 2013, the School received eighty-eight percent of their total revenue from one source.

**Capital Assets**

Capital assets, which include furniture, 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. 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 adopted the accounting pronouncement dealing with uncertain tax positions as of the date of inception in July 2012. Upon adoption of this accounting pronouncement, the School had no unrecognized tax benefits. Furthermore, the School had no unrecognized tax benefits at June 30, 2013. There were no open tax years prior to 2012. In addition, the School had no income tax related penalties or interest for the periods 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 have a policy for custodial credit risk. For the year ended June 30, 2013, \$34,198 was exposed to custodial credit risk:

Uninsured and uncollateralized	\$ 34,198
Plus: Insured amount	250,000
Less: Outstanding checks	(59,884)
Plus: Deposits in transit	--
Carrying amount - bank balances	<u>224,314</u>
Plus: Petty cash	--
Total cash per financial statements	<u><u>\$ 224,314</u></u>

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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**4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2013</u>
Furniture	\$ --	\$ --	\$ 98,138	\$ 98,138
Less: Accumulated depreciation	--	--	9,346	9,346
Capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 88,792</u>	<u>\$ 88,792</u>

Depreciation expense for the year ended June 30, 2013 was \$9,346.

**5. 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, 2013, the rate for the School District of Philadelphia was \$8,068 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 \$1,193,392 for the fiscal year ended June 30, 2013.

**6. 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 retirement (pension) expense 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, 2013 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.

**7. Leasing Arrangements**

The School leases a portion of 4261 North 5<sup>th</sup> Street in Philadelphia, Pennsylvania under a renewable operating lease from 4261 Corporation (a related party, see Note 9). The School paid monthly rent of \$9,320 for the year ending June 30, 2013.

**8. 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 have been no settled claims resulting from these risks which have exceeded commercial insurance coverage.

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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**9. Related Party**

The School and the related organizations have two common board members.

The school made payments to Nueva Esperanza, Inc. ("NEI") in reimbursement for human resources management, legal representation, financial accounting, reporting and audit, development and funding, real estate development, public relations, government relations, information technology support, management support, and other administrative services paid by NEI in the amount of \$88,040 for the year ending June 30, 2013. At June 30, 2013 the School owed NEI \$258,579.

The School receives services from Nueva Esperanza Academy Charter School ("NEA"). The School incurred expenditures of \$139,100 during the year ended June 30, 2013 for management and support services. At June 30, 2013, the School owed NEA \$11,742.

As described in Note 7, the School leases a portion of 4261 Corporation's building under a renewable operating lease. In connection with the operation of its charter school, the school made lease payments to 4261 Corporation in the amount of \$93,195 for the year ended June 30, 2013. At June 30, 2013, the School owed 4261 Corporation \$100,589.

The School has a Note payable to the parent organization Nueva Esperanza, Inc. ("NEI"). A long term loan (36 months) in the amount of \$98,138 was made to the School for the purchase of capital improvements. The loan accrues interest at the rate of five percent and is secured by the capital improvement purchases. The note matures in September 2016. Total related party notes payable are \$98,138 for the year ended June 30, 2013.

**10. Commitments**

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**11. Retirement Plan**

The School contributes to the Public School Employees' Retirement System (the "System"), a governmental cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

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.
- 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.

**Esperanza Cyber Charter School**  
**Notes to Financial Statements**  
**June 30, 2013**

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- Members who joined the System after June 30, 2011, may choose between two classes of membership in PSERS, and therefore, two base contribution rates. These rates are between 7.5 percent and 9.5 percent (Membership class T-E) and 10.3 percent and 12.3 percent (Membership class T-F).

Employer contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36 percent of covered payroll.

Payroll expense for employees covered by the System for the year ended June 30, 2013 was approximately \$322,000.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities' contributions. The School's contribution to the Plan for the year ended June 30, 2013 was \$33,939.

**12. Subsequent Events**

The School has evaluated subsequent events occurring after the statement of net assets date through the date of October 17, 2013 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**

**Esperanza Cyber Charter School**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Governmental Funds**  
**Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>(Over) Under Final Budget</u>
<b>Revenues</b>				
Local educational agency assistance	\$ 1,393,474	\$ 1,393,474	\$ 1,193,392	\$ 200,082
State sources	14,231	14,231	101,992	(87,761)
Federal sources	93,951	93,951	2,211	91,740
Other sources	--	--	--	--
	<u>1,501,656</u>	<u>1,501,656</u>	<u>1,297,595</u>	<u>204,061</u>
<b>Expenditures</b>				
Regular programs	783,561	783,561	750,113	33,448
Special programs	56,377	56,377	62,578	(6,201)
Pupil personnel services	36,016	36,016	39,259	(3,243)
Instructional support services	26,006	26,006	11,862	14,144
Administrative services	246,271	246,271	193,488	52,783
Pupil health	10,000	10,000	--	10,000
Business services	59,853	59,853	65,856	(6,003)
Operation & maintenance of plant services	193,768	193,768	195,646	(1,878)
Support services central	65,548	65,548	48,300	17,248
Food service	6,300	6,300	--	6,300
Capital reserve fund	17,956	17,956	11,108	6,848
Student activities	--	--	--	--
	<u>1,501,656</u>	<u>1,501,656</u>	<u>1,378,210</u>	<u>123,446</u>
Net change in fund balances	--	--	(80,615)	80,615
Fund balances - beginning of year	--	--	(15,090)	--
Fund balances - end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (95,705)</u>	<u>\$ 80,615</u>

See Independent Auditors' Report.



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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,  
Esperanza Cyber Charter School:

We have audited the financial statements of the governmental activities and each major fund of Esperanza Cyber Charter School (the "School"), as of and for the year ended June 30, 2013, which collectively comprises the School's basic financial statements and have issued our report thereon dated October 17, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Esperanza Cyber Charter 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 Esperanza Cyber Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Esperanza Cyber Charter 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 Esperanza Cyber Charter 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 "WithumSmith+Brown, PC".

October 17, 2013