EDSYS, Inc.
d/b/a City Charter High School

Single Audit

Years Ended June 30, 2024 and 2023
with Independent Auditor's Reports

EDSYS, INC.

YEARS ENDED JUNE 30, 2024 AND 2023

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MaherDuessel

Independent Auditor's Report

Board of Directors
EDSYS, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of EDSYS, Inc. (EDSYS), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EDSYS as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EDSYS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EDSYS's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024, on our consideration of EDSYS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EDSYS's 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 EDSYS's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
December 9, 2024

EDSYS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 7,647,447	$ 7,745,398
Cash restricted for student activities fund	41,421	11,014
Tuition receivable	1,626,676	809,269
Grants and other accounts receivable	344,410	252,518
Prepaid expenses	88,648	221,191
Total current assets	9,748,602	9,039,390
Noncurrent assets:		
Right of use asset - operating lease	4,437,621	5,795,768
Property and equipment, net of accumulated depreciation	1,038,461	524,727
Total noncurrent assets	5,476,082	6,320,495
Total Assets	$ 15,224,684	$ 15,359,885
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	$ 170,523	$ 285,242
Amounts held for student activities fund	41,421	11,014
Refundable advance	50,282	28,244
Current portion of lease liability	1,483,333	1,475,000
Other current liabilities	595,657	368,588
Total Current Liabilities	2,341,216	2,168,088
Lease liability - operating lease	3,034,821	4,367,284
Total Liabilities	5,376,037	6,535,372
Net Assets:		
Without donor restrictions:		
Undesignated	6,043,436	5,451,903
Board-designated:		
Lease payments	1,483,333	1,475,000
Retirement contributions	1,349,747	1,351,098
Investment in property and equipment	957,928	524,727
Total without donor restrictions	9,834,444	8,802,728
With donor restrictions	14,203	21,785
Total Net Assets	9,848,647	8,824,513
Total Liabilities and Net Assets	$ 15,224,684	$ 15,359,885

See accompanying notes to financial statements.

EDSYS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:						
Tuition	$ 12,988,765	$ -	$ 12,988,765	$ 12,573,843	$ -	$ 12,573,843
Grant revenue and reimbursements	1,620,115	69,873	1,689,988	2,136,896	76,873	2,213,769
Cafeteria revenue	29,403	-	29,403	17,810	-	17,810
Interest income	238,459	-	238,459	114,565	-	114,565
Other	20,931	-	20,931	26,072	-	26,072
Net assets released from restriction:						
Satisfaction of donor restrictions	77,455	(77,455)	-	63,388	(63,388)	-
Total revenue and other support	14,975,128	(7,582)	14,967,546	14,932,574	13,485	14,946,059
Expenses:						
Program:						
Charter School	13,158,943	-	13,158,943	12,847,884	-	12,847,884
Management and general	784,469	-	784,469	1,024,392	-	1,024,392
Total expenses	13,943,412	-	13,943,412	13,872,276	-	13,872,276
Change in Net Assets	1,031,716	(7,582)	1,024,134	1,060,298	13,485	1,073,783
Net Assets:						
Beginning of year	8,802,728	21,785	8,824,513	7,742,430	8,300	7,750,730
End of year	$ 9,834,444	$ 14,203	$ 9,848,647	$ 8,802,728	$ 21,785	$ 8,824,513

See accompanying notes to financial statements.

EDSYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program	Management and General	Total
Salaries and employee benefits	$ 8,974,527	$ 215,436	$ 9,189,963
Accounting services	-	112,260	112,260
Other professional services	470,845	56,540	527,385
Curriculum materials	52,045	-	52,045
Dues and fees	8,946	-	8,946
Depreciation expense	233,282	25,920	259,202
Occupancy	1,767,701	188,424	1,956,125
Legal services	-	85,734	85,734
Office supplies and miscellaneous equipment	556,279	416	556,695
Scholarships	49,500	-	49,500
Student activities	165,284	-	165,284
Travel	13,729	-	13,729
Student transportation	354,857	-	354,857
Food services	199,100	-	199,100
Printing and binding	-	-	-
Advertising	206,733	-	206,733
Interest expense	957	-	957
Credit loss expense	-	77,607	77,607
Information technology	105,158	22,132	127,290
Total expenses	$ 13,158,943	$ 784,469	$ 13,943,412

See accompanying notes to financial statements.

EDSYS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program	Management and General	Total
Salaries and employee benefits	$ 8,771,896	$ 212,272	$ 8,984,168
Accounting services	-	97,083	97,083
Other professional services	651,829	68,838	720,667
Curriculum materials	61,152	-	61,152
Dues and fees	4,250	-	4,250
Depreciation expense	184,729	20,525	205,254
Occupancy	1,796,329	189,850	1,986,179
Legal services	-	92,415	92,415
Office supplies and miscellaneous equipment	422,751	416	423,167
Scholarships	26,200	-	26,200
Student activities	127,818	-	127,818
Travel	8,280	-	8,280
Student transportation	261,787	-	261,787
Food services	201,535	-	201,535
Printing and binding	259	-	259
Advertising	141,067	-	141,067
Interest expense	-	-	-
Credit loss expense	-	326,160	326,160
Information technology	188,002	16,833	204,835
Total expenses	$ 12,847,884	$ 1,024,392	$ 13,872,276

See accompanying notes to financial statements.

EDSYS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ 1,024,134	$ 1,073,783
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	259,202	205,254
Amortization of right to use asset - operating lease	1,358,147	1,337,724
Credit loss expense	77,607	326,160
Change in:		
Tuition receivable	(895,014)	(12,213)
Grants and other accounts receivable	(91,892)	178,407
Other current assets	-	9,732
Prepaid expenses	132,543	(12,727)
Accounts payable	(114,719)	121,298
Amount held for student activities fund	30,407	738
Refundable advance	22,038	(45,537)
Lease liability - operating	(1,324,130)	(1,291,208)
Other current liabilities	227,069	23,963
Net cash provided by (used in) operating activities	705,392	1,915,374
Cash Flows From Investing Activities:		
Payments for property and equipment	(772,936)	(362,177)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(67,544)	1,553,197
Cash, Cash Equivalents, and Restricted Cash:		
Beginning of year	7,756,412	6,203,215
End of year	$ 7,688,868	$ 7,756,412
Consists of:		
Cash and cash equivalents	$ 7,647,447	$ 7,745,398
Cash restricted for student activities fund	41,421	11,014
	$ 7,688,868	$ 7,756,412
Schedule of Noncash Investing and Financing Activities:		
Addition of right to use asset for operating leases	$ -	$ 7,133,492

See accompanying notes to financial statements.

1. Organization

EDSYS, Inc. (EDSYS) is a non-profit organization created to establish a technologically oriented charter high school in western Pennsylvania. The mission of EDSYS, a technology infused public school, is to graduate students who are academically, technologically, personally, and socially prepared to succeed in post-secondary education or training. Using a team approach, EDSYS cultivates a safe, supportive, and academically rigorous environment by recognizing and nurturing individual talents, needs, and skills.

EDSYS began operations in January 2001. The technology-infused charter school opened in September 2002. The current charter has been extended through June 30, 2027.

In June 2002, EDSYS received approval from the Pennsylvania Department of State Corporation Bureau to operate and conduct business under the name 'City Charter High School'.

2. Summary of Significant Accounting Policies

The accounting policies of EDSYS conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of the more significant policies:

Financial Statement Presentation

EDSYS is required to report information regarding its financial position and activities according to classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The net assets of EDSYS are reported in two net asset classes as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations. At times, the Board of Directors (Board) may designate a portion of the net assets without donor restrictions to be used for certain projects. As of June 30, 2024 and 2023, the Board designated $1,483,333 and $1,475,000, respectively, for lease payments and $1,349,747 and $1,351,098, respectively, for retirement contributions.

Board-designated funds consist of funds set aside to cover incremental monthly lease payments as required under the lease terms (as described in Note 8) and retirement contributions. These amounts could be made available for general operating purposes by Board approval if necessary.

With donor restrictions – Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of EDSYS pursuant to those stipulations.

Basis of Accounting

The accrual basis of accounting is followed by EDSYS as applicable to not-for-profit organizations. Accordingly, revenues and support are recognized when earned and expenses are recognized when the liabilities are incurred.

Functional Allocation of Expenses

The allocation of functional expenses approximates program usage. Specific identification with a particular function is the major basis for allocation. Immaterial amounts of fundraising expenses are included in management and general expense.

Income Taxes

EDSYS is recognized by the Internal Revenue Service as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, EDSYS qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation. Further, EDSYS annually files a Form 990.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term highly liquid investments with maturities from the date of purchase of six months or less.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Liquidity and Availability

EDSYS manages its liquid resources by focusing on timely billing and collection of tuition, as well as various fundraising efforts, to ensure the entity has adequate funds to cover the educational services and programs that are being conducted. EDSYS prepares very detailed budgets and has been very active in fiscal management to ensure the entity remains liquid.

As part of the liquidity management plan, EDSYS invests its cash in excess of daily requirements in short-term investments and certificates of deposit. EDSYS manages its cash, short-term investments, and certificates of deposit to ensure that sufficient cash is available to cover operating expenditures and liabilities as they come due.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

	2024	2023
Financial assets, at year-end	$ 9,618,533	$ 8,807,185
Less: those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(14,203)	(21,785)
Board-designated - lease payments	(1,483,333)	(1,475,000)
Board-designated - retirement contributions	(1,349,747)	(1,351,098)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,771,250	$ 5,959,302

Revenue and Contribution Recognition

Tuition revenue represents the tuition paid by various Western Pennsylvania School Districts for the students enrolled in EDSYS who reside within that particular school district. This revenue is earned and recognized during the applicable school year as the performance obligation of delivering education services is simultaneously received and consumed by the students. EDSYS has elected not to establish an allowance for doubtful accounts as the entire balance is deemed collectible either through collection from school districts or submitting bills to the Commonwealth of Pennsylvania for school districts that choose not to pay. The Commonwealth of Pennsylvania will withhold state aid payments from the school districts in order to pay EDSYS. Accounts receivable related to tuition revenue was as follows as of June 30:

	2024	2023	2022
Tuition receivable	$ 1,626,676	$ 809,269	$ 1,123,216

Contributions, including unconditional promises to give, are recognized when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give as of June 30, 2024 or 2023. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

A portion of EDSYS revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when EDSYS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. EDSYS had refundable advances of $50,282 and $28,244 as of June 30, 2024 and 2023.

As of the year ended June 30, 2024 and 2023, EDSYS has been awarded federal and state contracts and grants approximating $893,000 and $1,570,000, respectively, that have not been recognized in the accompanying statement of activities because qualifying expenditures have not been incurred.

<u>Property and Equipment</u>

Property and equipment are stated at cost less accumulated depreciation. Property and equipment of $5,000 or more are capitalized. Depreciation is computed over the estimated useful lives of four to ten years of the assets using the straight-line method. Depreciation expense was $259,202 for the year ended June 30, 2024 and $205,254 for the year ended June 30, 2023.

Leases

EDSYS leases office space under an operating lease. EDSYS determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating lease and lease liability – operating in the statements of financial position.

ROU assets represent EDSYS's right to use an underlying asset for the lease term and lease liabilities represent EDSYS's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. EDSYS lease does not provide an implicit rate, so the incremental borrowing rate is used which is based on the information available at the commencement date in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that EDSYS will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, EDSYS considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, EDSYS has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Use of Estimates

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

Compensated Absences

Unused sick or vacation days do not carry over each year and are not reimbursed if they are unused. However, EDSYS provides a perfect attendance bonus incentive of $2,000. This bonus is reduced by $200 for each absence up to ten days. At June 30, 2024 and 2023, the amount accrued for attendance incentives was $87,430 and $145,331, respectively, and is included in other current liabilities in the statements of financial position.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

Adopted Accounting Standards

The requirements of this Standards Update have been adopted and incorporated into these financial statements:

ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

3. Cash and Cash Equivalents

At June 30, 2024, the carrying amount of EDSYS's deposits (cash and money market instruments) was $7,647,447 and the related bank balances totaled $7,868,807. All of the bank balance was covered by federal depository insurance.

At June 30, 2023 , the carrying amount of EDSYS's deposits (cash and money market instruments) was $7,745,398 and the related bank balances totaled $7,925,490. All of the bank balance was covered by federal depository insurance.

4. Grants and Other Accounts Receivable

Grants and other accounts receivable consist of the following at June 30:

	2024	2023
PA Coalition of Public Charter Schools	$ 148,905	$ -
Pittsburgh Public Schools - IDEA	122,884	81,482
Pennsylvania Department of Education	40,245	132,586
Partner4Work	32,376	27,934
Other	-	10,516
	$ 344,410	$ 252,518

5. Property and Equipment

Property and equipment at June 30, 2024 consist of the following:

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
Depreciable assets:				
Leasehold improvements	$ 854,623	$ 173,225	$ -	$ 1,027,848
Furniture and fixtures	1,142,084	87,436	-	1,229,520
Office equipment	2,101	-	-	2,101
Kitchen equipment	221,996	-	-	221,996
Computer equipment	876,359	512,275	(566,135)	822,499
Total depreciable assets	3,097,163	772,936	(566,135)	3,303,964
Less: accumulated depreciation	(2,572,436)	(259,202)	566,135	(2,265,503)
Net property and equipment	$ 524,727	$ 513,734	$ -	$ 1,038,461

Property and equipment at June 30, 2023 consist of the following:

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Depreciable assets:				
Leasehold improvements	$ 713,251	$ 141,372	$ -	$ 854,623
Furniture and fixtures	1,078,010	64,074	-	1,142,084
Office equipment	2,101	-	-	2,101
Kitchen equipment	221,996	-	-	221,996
Computer equipment	815,303	156,731	(95,675)	876,359
Total depreciable assets	2,830,661	362,177	(95,675)	3,097,163
Less: accumulated depreciation	(2,462,857)	(205,254)	95,675	(2,572,436)
Net property and equipment	$ 367,804	$ 156,923	$ -	$ 524,727

6. Economic Dependency

The operation of EDSYS is dependent upon the demographics and financial viability of the participating school districts and continuing provisions under Pennsylvania School Law governing charter schools. In addition, approximately 79% of students enrolled are from the City of Pittsburgh and, therefore, EDSYS is economically dependent on tuition from Pittsburgh Public Schools.

Significant changes in EDSYS operations as a result of these factors are not anticipated as of the Independent Auditor's Report date.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2024	2023
Post high school education scholarships	$ 2,500	$ 12,000
Teacher training and symposium	11,703	9,785
	$ 14,203	$ 21,785

Net assets were released from donor restrictions during the years ended June 30, 2024 and 2023 in the amount of $77,455 and $63,388, respectively, by incurring expenses satisfying the restricted purposes.

8. Operating Lease

On August 31, 2011, EDSYS entered into an operating lease to rent a facility to operate the charter school. At the date of adoption, EDSYS recognized a right-of-use asset of $7,133,492 and corresponding lease liability of $7,133,492. The weighted average remaining lease term is 3.2 years and 4.2 years as of June 30, 2024 and 2023, respectively and the weighted average discount rate is 2.88%. The lease expense was $1,337,724 for the years ended June 30, 2024 and 2023. The future minimum rental payments due under the term of the lease are as follows:

Years Ending June 30,	Total
2025	$ 1,483,333
2026	1,500,000
2027	1,500,000
2028	250,000
	4,733,333
Less interest	(215,179)
	$ 4,518,154

9. Retirement Benefits

<u>Plan Description</u>

Public School Employees' Retirement System (PSERS) administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance), to public school employees of the Commonwealth of Pennsylvania. In addition, PSERS administers the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by participants for the benefit coverage they elect. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits include all 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.

Retirees who participate in the HOP or a Commonwealth public school employer-sponsored health insurance program are eligible for Premium Assistance if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

For Class DC members (as defined below) to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

<u>Benefits Provided – Pension Plan</u>

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 through June 30, 2019. 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 three 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% or 2.5%, 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. 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 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% or 2.5%, 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.

Act 5 of 2017 (Act 5) eliminated the stand-alone defined benefit plan, introduced a hybrid benefit, and introduced a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of $100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

- Active members who joined PSERS prior to July 22, 1983:
  - Membership Class T-C 5.25%
  - Membership Class T-D 6.50%

- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
  - Membership Class T-C 6.25%
  - Membership Class T-D 7.50%

- Members who joined PSERS after June 30, 2001, and before July 1, 2011:
  - Membership Class T-D 7.50%

- Members who joined PSERS after June 30, 2011 and before June 30, 2019:
  - Membership Class T-E* 7.50%
  - Membership Class T-F** 10.30%

- Members who joined PSERS on or after July 1, 2019:
  - Membership Class T-G (hybrid)** 9.00% (combined rate)
  - Membership Class T-H (hybrid)** 8.25% (combined rate)
  - Defined Contribution only 7.50%

* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.
** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

The PSERS plan through EDSYS is closed to new employees not previously enrolled that are hired as of July 1, 2017.

Employer Contributions

EDSYS's contractually required PSERS contribution rate for the fiscal year ended June 30, 2024 was 34% 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. This rate is composed of a 33.09% rate for the Pension Plan, a 0.64% rate for the Premium Assistance, and a 0.27% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2024 was a decrease from the fiscal year ended June 30, 2023 combined rate of 35.26%. The combined contribution rate will decrease to 33.90% in fiscal year 2025 and is projected to grow to 38.26% by fiscal year 2032.

For fiscal year 2024, EDSYS contributions (including Premium Assistance) approximated $964,000, which were equal to its required contributions including estimates for accruals for that year. These contributions represent less than 5% of the total contributions made to the plan. As of June 30, 2024 and 2023, EDSYS owes $241,256 and $88,426 to PSERS.

As of the June 30, 2023 measurement date, the PSERS pension plan has a system fiduciary net position of $72.1 billion, total pension liability of approximately $117 billion, and a funded ratio of 61.85%. Of the net pension liability of $44 billion, EDSYS's portion of the net pension liability was $9.3 million as of June 30, 2023.

As of the June 30, 2023 measurement date, the PSERS Premium Assistance plan has a system fiduciary net position of approximately $141 million, total OPEB liability of approximately $1.95 billion, and a funded ratio of 7.22%. Of the net OPEB liability of $1.81 billion, EDSYS's portion of the net OPEB liability was $376,000 as of June 30, 2023.

401(k) Plan

EDSYS offers a 401(k) plan to employees as an alternative to PSERS. All employees hired after July 1, 2017 that were not previously enrolled in PSERS, will only be eligible to enroll in the 401(k) plan. All employees become eligible to participate as of the individual's hire date. They will be 20% vested after two years of service, 40% after three years, 60% after four years, 80% after five years, and 100% vested after six years of employment. EDSYS makes matching contributions of up to 7% of eligible compensation and a non-elective contribution of 5%. Contributions to the plan for the years ended June 30, 2024 and 2023 were $297,247 and $242,705, respectively.

10. Pennsylvania Coalition of Public Charter Schools Grant

On September 30, 2020, the Pennsylvania Coalition of Public Charter Schools (PCPCS) was awarded an Expanding Opportunities Through Quality Charter Schools Programs Grant from the US Department of Education. The PCPCS, through a competitive application process, chose EDSYS as one of three brick-and-mortar public charter schools to receive funds as subgrantees. EDSYS will receive approximately $934,000 from the PCPCS grant over a three-year period beginning in October 2021.

The funds are to be used to help expand public charter school options in Pennsylvania.

For the year ended June 30, 2024 and 2023, EDSYS recognized approximately $214,000 and $364,000, respectively, of revenue for this grant.

SUPPLEMENTARY INFORMATION

EDSYS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Grantor Number or Pass-Through Grantor Number	Grant Period	Program/ Award Amount	Federal Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Education						
Passed Through the Pennsylvania Department of Education:						
Title I Grants to Local Educational Agencies	84.010	013-231036	8/31/22-9/30/23	58,836	$ 25,643	$ -
Title I Grants to Local Educational Agencies	84.010	013-241036	8/31/23-9/30/24	263,044	162,864	-
Subtotal 84.010					188,507	-
Passed through Allegheny Intermediate Unit:						
Title III - English Language Acquisition State Grants	84.365	n/a	7/1/22-9/30/2024	1,684	1,684	-
Passed Through the Pennsylvania Department of Eduction:						
Supporting Effective Instruction State Grants	84.367	020-241036	8/31/23-/9/30/24	25,988	25,988	-
Subtotal 84.367					25,988	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-231036	8/31/22-9/30/23	20,530	973	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-241036	10/1/23-9/30/24	20,786	9,594	-
Subtotal 84.424					10,567	-
COVID-19 Education Stabilization Fund:						
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	200-211036	3/13/20-9/30/23	966,613	185,600	-
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	223-211036	3/13/20-9/30/24	1,955,179	526,421	-
Subtotal 84.425					712,021	-
Passed Through Pittsburgh Public Schools:						
Special Education Cluster (IDEA):						
Special Grants to States - IDEA, Part B	84.027	n/a	7/1/23-6/30/24	122,884	122,884	-
Total Special Education Cluster					122,884	-
Total U.S. Department of Education					1,061,651	-
U.S. Department of Agriculture						
Passed Through Pennsylvania Department of Education:						
Child Nutrion Cluster:						
School Breakfast Program	10.553	n/a	7/1/23-6/30/24	n/a	23,970	-
Subtotal 10.553					23,970	-
National School Lunch Program	10.555	n/a	7/1/23-6/30/24	n/a	17,839	-
National School Lunch Program	10.555	n/a	7/1/23-6/30/24	n/a	240,285	-
Subtotal 10.555					258,124	-
Total Child Nutrition Cluster					282,094	
Pandemic EBT Administrative Costs	10.649	n/a	7/1/23-6/30/24	n/a	653	-
Total U.S. Department of Agriculture					282,747	-
Total Expenditures of Federal Awards					$ 1,344,398	$ -

See accompanying notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of EDSYS, Inc. (EDSYS) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of EDSYS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of EDSYS.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The expenditures are recognized following the cost principles of the Uniform Guidance. The Schedule is based on information provided by the various funding sources of EDSYS and other information available at the time this Schedule was prepared. For the year ended June 30, 2024, EDSYS did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

EDSYS, Inc.
d/b/a City Charter High School

Independent Auditor's Reports Required by the Uniform Guidance

Year Ended June 30, 2024

MaherDuessel

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
EDSYS, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of EDSYS, Inc. (EDSYS), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EDSYS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EDSYS's internal control. Accordingly, we do not express an opinion on the effectiveness of EDSYS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of EDSYS'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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EDSYS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EDSYS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 9, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
EDSYS Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, EDSYS 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of EDSYS and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of EDSYS's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding EDSYS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of EDSYS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of EDSYS's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Maher Duessel

Pittsburgh, Pennsylvania
December 9, 2024

EDSYS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

ALN(s)	Name of Federal Program or Cluster
	COVID-19 Education Stabilization Fund:
84.425 D	Elementary and Secondary School Emergency Relief (ESSER) Fund
84.425 U	American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

EDSYS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

None reported.

MaherDuessel

Board of Directors
EDSYS, Inc.

We have audited the financial statements of EDSYS, Inc. (EDSYS), for the year ended June 30, 2024, and have issued our report thereon dated December 9, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards,* and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our conversation with the Board of Directors President and Treasurer about planning matters on October 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under Auditing Standards Generally Accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance

As stated in our engagement letter dated June 16, 2022, and addendum dated October 4, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered EDSYS's system of internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether EDSYS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about EDSYS's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* applicable to its major federal program for the purpose of expressing an opinion on EDSYS's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on EDSYS's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by EDSYS are described in Note 2 to the financial statements. During the year ended June 30, 2024, EDSYS adopted Accounting Standards Update (ASU) 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. No other new accounting policies were adopted, and the application of existing policies was not changed during 2024. We noted no transactions entered into by EDSYS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We noted no sensitive estimates affecting the financial statements.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of retirement benefits in Note 9 to the financial statements. This disclosure incorporates estimates and actuarial valuations on the potential future liabilities of EDSYS.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to EDSYS's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as EDSYS's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

As required by the Pennsylvania Department of Education, EDSYS prepares an Annual Financial Report (AFR) (PDE-2057). We issue an accountant's compilation report on the AFR.

Matters involving internal controls and EDSYS' operations are detailed in a separately issued management letter.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the Board of Directors and management of EDSYS, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maher Duessel

Pittsburgh, Pennsylvania
December 9, 2024

Board of Directors
EDSYS, Inc.

We have audited the financial statements of EDSYS, Inc. (EDSYS) as of and for the year ended June 30, 2024, and the related notes to the financial statements. We reported on EDSYS's internal controls and their operation to the management of EDSYS in the Independent Auditor's Report on Internal Control over Financial reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated December 9, 2024 and in the Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by Uniform Guidance dated December 9, 2024. However, during our audit, we noted certain other internal control and operational matters that are presented for your consideration. This letter does not affect our report dated December 9, 2024 on EDSYS's financial statements. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies. The comment marked with an asterisk (*) was communicated in the prior management letter.

Financial Reporting

As part of the audit process, a variety of adjustments were necessary to properly record account balances in the financial statements. In order to correct the amounts, management provided the adjusting entries and support for the entries to revenue and accounts receivable. The adjustments did not have a material impact on the financial statements as a whole. We recommend EDSYS review these adjustments and ensure they are posted to the trial balance when applicable prior to year-end closing.

Allowance for Credit Losses

During the year ended June 30, 2024, EDSYS was required to adopt Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." These amendments and related amendments require a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This standard applies to EDSYS's tuition accounts receivable. While EDSYS has historically recorded an allowance of $0, because in most cases, EDSYS can pursue legal action against school districts or recoup payment from the State. However, we recommend management review their policies and review accounts receivable for collectability and consider the need to establish an allowance going forward.

Credit Cards

During our walkthrough, for the specific statement selected, there were no receipts produced to support the card purchases. We noted EDSYS implemented policies and procedures surrounding the use of credit cards in September 2024. This should help to ensure consistent implementation regarding credit card procedures. The amount of purchases was not material, however, we recommend EDSYS implement a practice to ensure policies are being followed with respect to card usage, such as the collection of receipts to be maintained to support credit card purchases. This will ensure purchases are appropriate and for a reasonable business purchase.

Bank Reconciliations*

During our review of internal controls, we noted there was no documented review of bank reconciliations. We understand there is a review, however, we were not able to review evidence of such review. We recommend EDSYS ensure documented review of bank reconciliations monthly in accordance with their policies.

This communication is intended solely for the information and use of the Board of Directors, management, and others within EDSYS, and is not intended to be, and should not be, used by anyone other than these specified parties.

Maher Duessel

Pittsburgh, Pennsylvania
December 9, 2024