

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mastery Charter School – Shoemaker Campus
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Mastery Charter School – Shoemaker Campus, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Mastery Charter School – Shoemaker Campus as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the schedule of revenues, expenditures, and changes in fund balance – budget and actual on page 35, the schedules of proportionate share of PSERS net pension liability and contributions on page 36, and the schedules of proportionate share of PSERS net OPEB liability and contributions on pages 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Mastery Charter School – Shoemaker Campus' 2020 financial statements, and we expressed unmodified audit opinions on those audited financial statements of the governmental activities and general fund in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mastery Charter School – Shoemaker Campus’ basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of Mastery Charter School – Shoemaker Campus’ 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 Mastery Charter School – Shoemaker Campus’ 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 Mastery Charter School – Shoemaker Campus’ internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 9, 2021

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021**

The management of Mastery Charter School – Shoemaker Campus (the School) offers readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the School’s financial statements.

Financial Highlights

- Total revenues increased by \$1,171,724 to \$13,989,914, primarily due to an increase in local educational agencies and federal sources for the year ended June 30, 2021.
- At the close of the current fiscal year, the School reports ending net position of \$60,970. This net position balance represents an increase in net position of \$3,292,009 for the year ended June 30, 2021.
- At the close of the current fiscal year, the School reported an ending general fund balance of \$5,160,295. This general fund balance represents an increase of \$1,749,338 for the year ended June 30, 2021.
- The School’s cash and investments balance at June 30, 2021 was \$6,113,246, representing an increase of \$1,845,364 from June 30, 2020.

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 four components: Management’s Discussion and Analysis (this section), the basic financial statements, required supplementary schedule, and reporting requirements of *Government Auditing Standards* and Uniform Guidance.

Government-Wide Financial Statements

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

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

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

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.

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021**

Overview of the Financial Statements (Continued)

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 only one fund type, the governmental general fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows \$60,970 as of June 30, 2021.

	2021	2020
Current and Other Assets	\$ 6,674,005	\$ 4,922,068
Capital Assets	1,215,791	864,045
Total Assets	7,889,796	5,786,113
 Deferred Outflows	 659,144	 524,430
Current Liabilities	1,542,629	1,539,950
Noncurrent Liabilities	4,551,672	5,679,467
Total Liabilities	6,094,301	7,219,417
 Deferred Inflows	 2,393,669	 2,322,165
Net Investment in Capital Assets	1,107,200	829,739
Unrestricted	(1,046,230)	(4,060,778)
Total Net Position	\$ 60,970	\$ (3,231,039)

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021**

Government-Wide Financial Analysis (Continued)

The School’s revenues are predominately from the School District of Philadelphia, based on the student enrollment, donations from private sources, and awards from federal and state sources.

	<u>2021</u>	<u>2020</u>
REVENUES		
Local Educational Agencies	\$ 12,329,521	\$ 11,509,820
State Sources	199,110	201,884
Federal Sources	1,374,304	928,431
Other Grants and Contributions	13,340	3,037
Other Local Sources	<u>73,639</u>	<u>175,018</u>
Total Revenues	13,989,914	12,818,190
EXPENDITURES		
Instruction	4,141,424	4,036,256
Special Education	2,469,914	2,474,124
Student Support Services	878,114	910,786
Instruction Support Services	5,726	18,053
Administration Support	1,714,777	1,923,530
Pupil Health	163,992	64,391
Business Services	76,600	66,632
Operations and Maintenance	966,458	871,481
Student Transportation Services	-	4,026
Other Support Services	72,400	66,072
Student Activities	45,959	73,231
Interest Expense	8,675	4,078
Depreciation Expense	<u>153,866</u>	<u>132,075</u>
Total Expenses	<u>10,697,905</u>	<u>10,644,735</u>
Change in Net Position	3,292,009	2,173,455
Net Position - Beginning	<u>(3,231,039)</u>	<u>(5,404,494)</u>
Net Position - Ending	<u>\$ 60,970</u>	<u>\$ (3,231,039)</u>

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021**

Government Fund

The focus of the School’s *governmental fund* 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 fund, (the General Fund), reported an ending fund balance of \$5,160,295. For the year ended June 30, 2021, the School’s revenues and other financing sources of \$14,107,874 exceeded expenditures of \$12,358,536 by \$1,749,338.

General Fund Budgetary Highlights

Actual revenues and other financing sources exceeded budgeted revenues by \$122,914 due to greater than budgeted local educational agencies, federal, other local sources and interest. Actual expenditures were less than budgeted expenditures by \$2,055,464 due to less than budgeted instruction services, support services, and noninstructional services expenditures.

Capital Assets

As of June 30, 2021, the School’s investment in capital assets for its governmental activities totaled \$1,107,200 (net of accumulated depreciation and related debt). This investment in capital assets includes furniture and fixtures and equipment.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$98,452 for equipment.
- Capital expenditures of \$5,600 for furniture and fixtures.
- Capital expenditures of \$283,600 for leasehold improvements.
- Capital expenditures of \$117,960 for capital lease equipment.

Additional information on the School’s capital assets can be found in Note 3 of this report.

LONG-TERM DEBT

As of June 30, 2021, the School has long-term debt of \$108,591 for capital lease obligations.

Economic Factors and Next Year’s Budgets and Rates

The School’s primary source of revenue, per pupil funding from School District of Philadelphia, is expected to decrease from \$10,788 to \$10,639 per regular education student and increase from \$30,306 to \$31,099 per special education student.

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 Financial Officer, Mastery Charter School – Pickett Campus, 5700 Wayne Avenue, Philadelphia, PA 19144.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AT JUNE 30, 2020)

ASSETS	Governmental Activities	
	2021	2020
CURRENT ASSETS		
Cash and Investments	\$ 6,113,246	\$ 4,267,882
State Subsidies Receivable	126,466	118,066
Federal Subsidies Receivable	201,346	173,014
Other Receivables	97,566	157,271
Due from Other Governmental Entities	-	10,924
Prepaid Expenses	135,381	194,911
Total Current Assets	6,674,005	4,922,068
CAPITAL ASSETS, NET	1,215,791	864,045
Total Assets	7,889,796	5,786,113
DEFERRED OUTFLOWS		
Deferred Outflows from Pensions - See Note 8	631,000	496,000
Deferred Outflows from OPEB - See Note 9	28,144	28,430
Total Deferred Outflows	659,144	524,430
LIABILITIES		
CURRENT LIABILITIES		
Capital Lease Obligation - Current Portion	28,919	28,839
Accounts Payable	310,959	346,583
Accrued Expenses	1,120,300	1,164,528
Due to Other Governmental Entities	192	-
Unearned Revenue	82,259	-
Total Current Liabilities	1,542,629	1,539,950
LONG-TERM LIABILITIES		
Capital Lease Obligation - Net of Current Portion	79,672	5,467
Net OPEB Liability	188,000	247,000
Net Pension Liability	4,284,000	5,427,000
Total Long-Term Liabilities	4,551,672	5,679,467
Total Liabilities	6,094,301	7,219,417
DEFERRED INFLOWS		
Deferred Inflows from Pensions - See Note 8	2,255,811	2,215,021
Deferred Inflows from OPEB - See Note 9	137,858	107,144
Total Deferred Inflows	2,393,669	2,322,165
NET POSITION		
Net Investment in Capital Assets	1,107,200	829,739
Unrestricted	(1,046,230)	(4,060,778)
Total Net Position	\$ 60,970	\$ (3,231,039)

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS AT JUNE 30, 2020)

Functions	Expenses	Program Revenues Operating Grants and Contributions	2021	2020
			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 4,141,424	\$ 1,174,345	\$ (2,967,079)	\$ (3,280,839)
Special Education	2,469,914	199,959	(2,269,955)	(2,301,110)
Student Support Services	878,114	-	(878,114)	(910,786)
Instruction Support Services	5,726	-	(5,726)	(18,053)
Administration Support	1,714,777	-	(1,714,777)	(1,923,530)
Pupil Health	163,992	-	(163,992)	(64,391)
Business Services	76,600	-	(76,600)	(66,632)
Operations and Maintenance	966,458	-	(966,458)	(871,481)
Student Transportation Services	-	-	-	(4,026)
Other Support Services	72,400	-	(72,400)	(66,072)
Student Activities	45,959	-	(45,959)	(73,231)
Interest Expense	8,675	-	(8,675)	(4,078)
Depreciation Expense	153,866	-	(153,866)	(132,075)
Total	<u>\$ 10,697,905</u>	<u>\$ 1,374,304</u>	(9,323,601)	(9,716,304)
General Revenues:				
Local Educational Agencies			12,329,521	11,509,820
State Grants and Reimbursements			199,110	201,884
Other Grants and Contributions			13,340	3,037
Other Local Sources			60,655	166,286
Interest			12,984	8,732
Total General Revenues			<u>12,615,610</u>	<u>11,889,759</u>
Change in Net Position			3,292,009	2,173,455
Net Position - Beginning of Year			<u>(3,231,039)</u>	<u>(5,404,494)</u>
Net Position - End of Year			<u>\$ 60,970</u>	<u>\$ (3,231,039)</u>

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AT JUNE 30, 2020)

	2021	2020
	General	General
	Fund	Fund
ASSETS		
Cash and Investments	\$ 6,113,246	\$ 4,267,882
State Subsidies Receivable	126,466	118,066
Federal Subsidies Receivable	201,346	173,014
Other Receivables	97,566	157,271
Due from Other Governmental Entities	-	10,924
Prepaid Expenses	135,381	194,911
Total Assets	\$ 6,674,005	\$ 4,922,068
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 310,959	\$ 346,583
Accrued Expenses	1,120,300	1,164,528
Due to Other Governmental Entities	192	-
Unearned Revenue	82,259	-
Total Liabilities	1,513,710	1,511,111
FUND BALANCE		
Nonspendable:		
Prepaid Expenses	135,381	194,911
Committed to:		
Facilities Reserves	2,750,000	1,299,000
Assigned to:		
Future Budget Deficits	2,274,914	1,917,046
Total Fund Balance	5,160,295	3,410,957
Total Liabilities and Fund Balance	\$ 6,674,005	\$ 4,922,068

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance for Governmental Funds \$ 5,160,295

Total net position reported for governmental activities in the statement of net position 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:

Capital Assets, Net 1,215,791

Capital lease obligations used in governmental funds are not financial resources and, therefore, are not reported in the fund liabilities. The total capital lease obligations, both current and long-term, are reported in the statement of net position.

Balances at year-end are: (108,591)

Long-term liabilities that pertain to governmental funds, including net pension obligations, net OPEB liability, deferred outflows and deferred inflows are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Pension (5,908,811)
OPEB (297,714)

Total Net Position of Governmental Activities \$ 60,970

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
	General	General
	Fund	Fund
REVENUES		
Local Educational Agencies	\$ 12,329,521	\$ 11,509,820
State Sources	199,110	201,884
Federal Sources	1,374,304	928,431
Other Grants and Contributions	13,340	3,037
Other Local Sources	60,655	166,286
Interest	12,984	8,732
Total Revenues	13,989,914	12,818,190
EXPENDITURES		
Instruction	7,543,427	7,314,001
Support Services	4,641,522	4,537,600
Noninstructional Services	55,627	73,231
Capital Lease Expenditures	117,960	-
Total Expenditures	12,358,536	11,924,832
EXCESS OF REVENUES OVER EXPENDITURES	1,631,378	893,358
OTHER FINANCING SOURCES AND USES		
Proceeds from Capital Lease Obligation	117,960	-
NET CHANGE IN FUND BALANCE	1,749,338	893,358
Fund Balance - Beginning of Year	3,410,957	2,517,599
FUND BALANCE - END OF YEAR	\$ 5,160,295	\$ 3,410,957

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance – Total Governmental Funds \$ 1,749,338

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 depreciation exceeded capital outlays in the current period.

Depreciation Expense	(153,866)
Capital Outlays	505,612

Governmental funds report capital lease obligation proceeds as financing sources, while repayment is reported as expenditures. In the statement of net position, however, the capital lease obligations increases liabilities and does not affect the statement of activities and repayment of principal reduces the obligations. The net effect of these differences in the treatment of the capital lease obligations is as follows:

Capital Lease Obligations	(74,285)
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Governmental Funds report school pension and OPEB contributions as expenditures. However, in the statement of activities, the cost incurred for future pension and OPEB benefits is reported as pension and OPEB expense, as follows:

Change in Pension Expense	1,237,210
Change in OPEB Expense	<u>28,000</u>

Change in Net Position of Governmental Activities \$ 3,292,009

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Mastery Charter School – Shoemaker Campus (the School) was formed as a Pennsylvania nonprofit corporation to operate in accordance with Pennsylvania Act 22 of 1997. The initial charter was granted by The School District of Philadelphia on July 1, 2006. The School successfully completed the charter renewal process, which took place during the 2015-16 school year, and the charter agreement remains in force. During the year ended June 30, 2021, the School served approximately 650 students in grades seventh through twelfth.

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 (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Net position represents the total of assets and deferred outflows of resources less liabilities and deferred inflows of resources.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 120 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 fund:

General Fund — The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

Method of Accounting

Accounting standards requires a statement of net position and a statement of activities. It requires the classification of net position into three components — net investment in capital assets, restricted, and unrestricted. These calculations are defined as follows:

- Net investment in capital assets — This component of net position consists of capital assets, including restricted capital, 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 net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted — This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net position.
- Unrestricted net position — This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Method of Accounting (Continued)

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid expenses, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances represent amounts constrained for a specific purpose by a governmental entity using its highest level of decision-making authority. Committed fund balances are established and modified by a resolution approved by the board of trustees. Assigned fund balances are intended by the School to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is currently the School's policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is currently the School's policy to use committed first, then assigned, and finally unassigned amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget. The original budget was filed and accepted by the Labor, Education, and Community Services Comptroller's Office in June 2020. An amended budget was approved by the board of trustees in January 2021. The budget is required supplementary information.

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.

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's (FDIC) limit of \$250,000, with financial institutions. At times, cash in bank may exceed FDIC insurable limits.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Significant Accounting Estimates – Self-Insured Claims

The School participates in a self-funded benefit payment plan (the Plan). The Mastery Charter High School is the sponsor of the Plan. The Plan covers eligible employees/members and dependents of the School as defined in the agreement. The School is primarily self-insured, up to certain limits, for employee group health claims. The Plan contains stop-loss insurance, which will reimburse the Plan for amounts of paid claims in excess of \$175,000 on any individual covered by the Plan in the policy year ending June 30, 2021. The stop-loss insurance also provides up to \$1,000,000 of coverage beyond the aggregate annual claims limit of \$19,885,618 for the fiscal year ended June 30, 2021. The annual claims limit is based on the average enrollment of 1,469 covered employees, but is ultimately derived based on the actual covered employees times a monthly claims factor of \$1,128, for each month of the policy period.

During the year ended June 30, 2021, the School paid premiums to Mastery Charter High School based on 1) the Plan's historical claims experience, 2) actual claims for the year ended June 30, 2021, and 3) the estimated claims incurred but not reported. Such estimates were provided by the School's benefits consultant.

The expense under the program was approximately \$16,612,373, which includes the School's portion of \$774,813 for the year ended June 30, 2021.

Cash and Cash Equivalents

The School's cash is considered to be cash on hand and amounts held at financial institutions.

Investments

Money market fund are stated at net asset value as a practical expedient to fair value.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value in three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value (Continued)

Level 2 – Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Level 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for assets or liabilities categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Accounts Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal and state subsidy programs and receivables from other local authorities. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2021, no allowance for doubtful accounts was deemed warranted based on historical experience.

Prepaid Expenses

Prepaid expenses include payments to vendors for services applicable to future accounting periods such as insurance premiums.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. 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 estimated useful lives of the assets except for leasehold improvements which are limited to the shorter of the life of the School's Charter or the estimated useful lives of the improvements. Software costs are depreciated over 36 months using the straight-line method.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pensions

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System 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. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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. 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, or the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 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.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Pensions (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

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 (10 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.

Contributions

Member Contributions

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (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% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (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.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The employers contractually required contribution rate for fiscal year ended June 30, 2021 was 33.46% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Pension Plan from the employer were \$432,000 for the year ended June 30, 2021.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$11,000 for the year ended June 30, 2021.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. No provision for income taxes has been established.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School invests in repurchase agreements with its bank wherein the funds are secured by obligations of the U.S. government or agencies or instrumentalities of the U.S. government. As of June 30, 2021, \$4,593,108 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	<u>\$ 4,593,108</u>
Total Custodial Credit Risk	<u><u>\$ 4,593,108</u></u>

Reconciliation to the financial statements:

Custodial Credit Risk from Above	\$ 4,593,108
Plus: Insured Amount	269,984
Less: Outstanding Checks	(46,300)
Petty Cash	500
Total Cash	<u>4,817,292</u>
Investments	<u>1,295,954</u>
Total Cash and Investments	<u><u>\$ 6,113,246</u></u>

Investments

As of June 30, 2021, the School's investments are stated at net asset value as a practical expedient to fair value. Investments are comprised of a money market fund and totaled \$1,295,954 as of June 30, 2021.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

Capital assets are stated at cost. Depreciation has been calculated on such assets using the straight-line method over the following estimated lives:

Equipment	5 to 10 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	3 to 5 Years
Software	3 Years
Capital Lease Equipment	5 Years

Capital asset activity for the year is summarized below:

	Balance July 1, 2020	Deletions	Additions	Balance June 30, 2021
Equipment	\$ 1,022,505	\$ -	\$ 98,452	\$ 1,120,957
Furniture and Fixtures	371,347	-	5,600	376,947
Leasehold Improvements	779,274	-	283,600	1,062,874
Software	16,479	-	-	16,479
Capital Lease Equipment	209,872	-	117,960	327,832
Total	2,399,477	-	505,612	2,905,089
Less: Accumulated				
Depreciation	1,535,432	-	153,866	1,689,298
Capital Assets, Net	\$ 864,045	\$ -	\$ 351,746	\$ 1,215,791

Depreciation expense charged to governmental functions amount to \$153,866 for the year ended June 30, 2021 and is unallocated.

NOTE 4 CAPITAL LEASE OBLIGATIONS

The school leases copiers under capital leases that expire at varying times through June 2025. As of June 30, 2021, the leased copiers are reflected at a cost of \$327,832 and related accumulated depreciation of \$233,464. The leases require monthly payments of principal and interest amounting to \$810, \$1,620, and \$1,847 at varying rates of 6.172% and 8.101%. Future minimum payments under the capital lease as of June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	\$ 34,701
2023	29,160
2024	29,160
2025	29,160
Total	122,181
Less: Amount Representing Interest	13,590
Present Value of Minimum Lease Payments	\$ 108,591

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL LEASE OBLIGATIONS (CONTINUED)

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Capital Lease Obligation	\$ 34,306	\$ 117,960	\$ 43,675	\$ 108,591	\$ 28,919
Total Long-Term Debt	<u>\$ 34,306</u>	<u>\$ 117,960</u>	<u>\$ 43,675</u>	<u>\$ 108,591</u>	<u>\$ 28,919</u>

NOTE 5 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 for the School reside in Philadelphia. For the year ended June 30, 2021, the rate for the School District of Philadelphia was \$10,788 per year for regular education students plus additional funding for special education students. The annual rate is paid monthly by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from these sources was \$12,329,521 for the year ended June 30, 2021.

NOTE 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 social security taxes, retirement expense, and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 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.

NOTE 7 RETIREMENT PLAN

Effective July 1, 2012, the School was part of the Mastery Charter School 403(b) Retirement Plan, a multiple employer defined contribution plan under Section 403(b) of the Internal Revenue Code, which employees of the School can elect to contribute. Employees, who do not participate in the PSERS retirement plan, can contribute up to 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. Employees who participate in the PSERS retirement plan can also participate in the 403(b) Plan, but these 403(b) contributions are not matched by the School. The School's contributions to the Plan for the year ended June 30, 2021 was \$217,886.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 RETIREMENT PLAN (CONTINUED)

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in School contributions and earnings on School contributions after one year of services. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the Plan's administrative expenses.

The School owed the Plan \$1,599 at June 30, 2021.

NOTE 8 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2021, the School reported a liability of \$4,284,000 for its proportionate share of net pension liability for the PSERS Plan. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The employer's proportion of the net pension liability was calculated utilizing the School's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School's proportion was 0.0087%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School recognized a pension credit of (\$842,000). At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 11,000	\$ (103,000)
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	188,000	-
Changes in Proportions	-	(33,811)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	-	(2,119,000)
Contributions Subsequent to the Measurement Date	432,000	-
Total	<u>\$ 631,000</u>	<u>\$ (2,255,811)</u>

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The amount of \$432,000 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (1,108,315)
2023	(737,520)
2024	(263,333)
2025	52,357
Total	<u><u>\$ (2,056,811)</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – Level % of Pay
- Investment Return – The investment rate of return was 7.25%, including inflation at 2.75%.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

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

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

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	15 %	5.2 %
Private Equity	15	7.2 %
Fixed Income	36	1.1 %
Commodities	8	1.8 %
Absolute Return	10	2.5 %
Infrastructure/MLPs	6	2.7 %
Real Estate	10	5.5 %
Risk Parity	8	3.3 %
Cash	6	(1.0)%
Financing (LIBOR)	(14)	(0.7)%
Total	100 %	

The above was the PSERS board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projections of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net asset position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%), or 1 percentage point higher (8.25%) than the current rate (in thousands):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's Proportionate Share of the Net Pension Liability	\$ 5,300	\$ 4,284	\$ 3,423

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2021, the School reported a liability of \$188,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School's proportion was 0.0087%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School recognized OPEB credit of (\$17,000). At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,000	\$ -
Changes in Assumptions	8,000	(4,000)
Net Difference Between Projected and Actual Investment Earnings	-	-
Changes in Proportions	-	(133,000)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	7,144	(858)
Contributions Subsequent to the Measurement Date	11,000	-
Total	\$ 28,144	\$ (137,858)

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The amount of \$11,000 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (25,985)
2023	(25,985)
2024	(22,230)
2025	(22,095)
2026	(16,118)
Thereafter	(8,301)
Total	<u>\$ (120,714)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2019, to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method was entry age normal, level percent of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 5.0%, comprising 2.75% for inflation and 2.25% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%,
 - Eligible retirees will elect to participate post-age 65 at 70%.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018, determined the employer contribution rate for fiscal year 2020.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2020.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3 %	(1.00)%
U.S. Core Fixed Income	46.5	(0.10)%
Non-U.S. Developed Fixed	3.2	(0.10)%
	100.0 %	

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66% at June 30, 2020. Under the plan’s funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year and 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the School’s share of the Premium Assistance net OPEB liability at June 30, 2020, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in Thousands)		
<u>1% Decrease</u>	<u>Health Care Cost Trend Current Rate</u>	<u>1% Increase</u>
\$ 188	\$ 188	\$ 188

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the School’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or one percentage point higher (3.66%) than the current rate (2.66%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate (in Thousands)		
1% Decrease 1.66%	Current Rate 2.66%	1% Increase 3.66%
\$ 214	\$ 188	\$ 166

OPEB Plan Fiduciary Net Position

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

NOTE 10 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

NOTE 11 MANAGEMENT AND TECHNOLOGY AGREEMENTS

The Mastery Schools use the Network Support Team (NST) for their educational, administrative, and financial services. The NST is a proprietary fund that is included in the total activities of the Mastery Charter High School.

As of July 1, 2020, the School entered into a one-year agreement with the Mastery Charter High School to provide educational, administrative, finance, and other back-office services. As a result of common usage of the NST, the Mastery Schools are considered related parties (see Note 12). The NST management fee is 10% of the per-pupil funding received from the local school district by each school. The total fee was \$1,232,952 for the year ended June 30, 2021. The management agreement also provides for technology subscription services. The subscription fee is set annually based on the technology deployed at each school. The technology subscription fee was \$188,000 for the year ended June 30, 2021. Unless specified notice is given, the management agreement renews each year during the term of the School’s charter.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 RELATED PARTY TRANSACTIONS

Mastery Charter High School, Mastery Charter School – Thomas Campus, Mastery Charter School – Pickett Campus, Mastery Charter School – Mann Elementary, Mastery Charter School – Smedley Elementary, Mastery Charter School – Harrity Elementary, Hardy Williams Academy Charter School, Mastery Charter School – Clymer Elementary, Mastery Charter School – Gratz Campus, Grover Cleveland Mastery Charter School, Francis D. Pastorius Mastery Charter School, Frederick Douglass Mastery Charter School, Mastery Charter School – John Wister Elementary, and Mastery Prep Elementary Charter School are considered related parties as a result of common members of the boards, the management of the schools and common usage of the NST (see Note 11).

The following represents amounts due to and from related parties as of June 30, 2021:

	Due from (Receivable)	Due to (Payable)
Due to/from Other Governmental Entities	\$ -	\$ 192

NOTE 13 FACILITY LEASE AGREEMENT

As of December 19, 2007, the School began leasing its facility from the School District of Philadelphia. The operating lease will run concurrently with the term of the charter. The rent is based on the number of students enrolled at the School as of November 1 of each school year multiplied by the per pupil amount for secondary school students pursuant to Section 2574(b)(4) of the Public School Code 19194, as amended. The rent expense is paid on a monthly basis as a deduction from the monthly student subsidy received from the School District of Philadelphia. For the year ended June 30, 2021, the rent expense was \$166,293.

NOTE 14 NEWLY ADOPTED STATEMENTS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, which is effective for fiscal years beginning after December 15, 2019. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Criteria for identifying fiduciary activities are generally defined as (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also defines four fiduciary funds that should be reported. The School adopted Statement No. 84 and determined the standard did not have any impact on its financial statements.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 NEWLY ADOPTED STATEMENTS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (CONTINUED)

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests, which is effective for fiscal years beginning after December 15, 2019. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The School adopted Statement No. 90 for its fiscal year 2021 and determined the standard did not have any impact on its financial statements.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates, which is effective for fiscal years beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The School adopted Statement No. 93 for its fiscal year 2021 and determined the standard did not have any impact on its financial statements.

NOTE 16 CONTINGENCIES

The School is sometimes subject to litigation or the threat of litigation in the ordinary course of its business. In accordance with accounting principles generally accepted in the United States of America, the School recognizes such contingencies in the financial statements when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
(UNAUDITED)
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Educational Agencies	\$ 12,048,000	\$ 12,255,000	\$ 12,329,521	\$ 74,521
State Sources	75,000	237,000	199,110	(37,890)
Federal Sources	1,220,000	1,296,000	1,374,304	78,304
Other Grants and Contributions	-	24,000	13,340	(10,660)
Other Local Sources	55,000	55,000	60,655	5,655
Interest	-	-	12,984	12,984
Total Revenues	<u>13,398,000</u>	<u>13,867,000</u>	<u>13,989,914</u>	<u>122,914</u>
EXPENDITURES				
Instruction	8,727,000	8,888,000	7,543,427	(1,344,573)
Support Services	4,445,000	5,426,000	4,641,522	(784,478)
Noninstructional Services	166,000	100,000	55,627	(44,373)
Capital Lease Expenditures	-	-	117,960	117,960
Total Expenditures	<u>13,338,000</u>	<u>14,414,000</u>	<u>12,358,536</u>	<u>(2,055,464)</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	60,000	(547,000)	1,631,378	2,178,378
OTHER FINANCING SOURCES AND USES				
Proceeds from Capital Lease Obligation	-	-	117,960	117,960
NET CHANGE IN FUND BALANCE				
	<u>\$ 60,000</u>	<u>\$ (547,000)</u>	1,749,338	<u>\$ 2,296,338</u>
Fund Balance - Beginning of Year			<u>3,410,957</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,160,295</u>	

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULES OF PROPORTIONATE SHARE OF
PSERS NET PENSION LIABILITY AND CONTRIBUTIONS
(UNAUDITED)**

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
PSERS Measurement Date (Unaudited)
(in Thousands)

Fiscal Year	PSERS Net Pension Liability		School's Covered Employee Payroll	School's Proportionate Share of NPL as a Percent of Covered Employee Payroll	PSERS Fiduciary Net Position as a Percent of Total Pension Liability
	School's Proportion	School's Proportion Share			
2014/15	0.02320%	\$ 9,183	\$ 2,965	310%	57.20%
2015/16	0.02030%	8,793	2,613	337%	54.40%
2016/17	0.01750%	8,673	2,267	383%	50.14%
2017/18	0.01740%	8,594	2,315	371%	51.80%
2018/19	0.01490%	7,153	2,008	356%	54.00%
2019/20	0.01160%	5,427	1,602	339%	55.66%
2020/21	0.00870%	4,284	1,239	346%	54.32%

PSERS Schedule of Contributions (Unaudited)(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percent of Covered Employee Payroll
2014/15	\$ 514	\$ 514	\$ -	\$ 2,613	19.67%
2015/16	536	536	-	2,267	23.64%
2016/17	624	624	-	2,315	26.95%
2017/18	639	639	-	2,008	31.82%
2018/19	576	576	-	1,602	35.96%
2019/20	414	414	-	1,239	33.41%
2020/21	432	432	-	1,299	33.26%

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULES OF PROPORTIONATE SHARE OF
PSERS NET OPEB LIABILITY AND CONTRIBUTIONS
(UNAUDITED)**

Schedule of Proportionate Share of PSERS Net OPEB Liability
PSERS Measurement Date (Unaudited)
(in Thousands)

Fiscal Year	PSERS Net OPEB Liability		School's Covered Employee Payroll	School's Proportionate Share of Net OPEB Liability as a Percentage of Covered Employee Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
	School's Proportion	School's Proportionate Share			
2017/18	0.01740%	\$ 355	\$ 2,315	15.33%	5.73%
2018/19	0.01490%	311	2,008	15.49%	5.56%
2019/20	0.01160%	247	1,602	15.42%	5.56%
2020/21	0.00870%	188	1,239	15.17%	5.69%

PSERS OPEB Schedule of Contributions (Unaudited)
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS in FY	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percent of Covered Employee Payroll
2017/18	\$ 17	\$ 17	\$ -	\$ 2,008	0.85%
2018/19	15	15	-	1,602	0.94%
2019/20	10	10	-	1,239	0.81%
2020/21	11	11	-	1,299	0.85%

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor Pass-Through Grantor Program Title	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2020	Total Received for the Year	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2021
<u>U.S. Department of Education</u>									
Pass-Through Pennsylvania Department of Education:									
Title I - Improving Basic Programs	I	84.010	013 211059	8/6/20 - 9/30/21	\$ 714,711	\$ -	\$ 714,711	\$ 714,711	\$ -
Title II - Improving Teacher Quality	I	84.367	020 211059	8/6/20 - 9/30/21	54,782	-	53,395	54,782	1,387
Title IV - Student Support and Academic Enrichment	I	84.424	144 211059	8/6/20 - 9/30/21	49,802	-	49,802	49,802	-
Education Stabilization Fund:									
COVID-19, Continuity of Education Equity Grant - GEER	I	84.425C	253 201059	3/13/20 - 9/30/21	30,050	-	30,050	30,050	-
COVID-19, Elementary and Secondary School Emergency Relief Fund	I	84.425D	200 201059	3/13/20 - 9/30/21	539,356	-	312,259	230,000	(82,259)
Total Educational Stabilization Fund						-	342,309	260,050	(82,259)
Pass-Through School District of Philadelphia:									
Individuals with Disabilities Education Act Part B	I	84.027	N/A	7/1/19 - 6/30/20	173,014	173,014	173,014	-	-
Individuals with Disabilities Education Act Part B	I	84.027	N/A	7/1/20 - 6/30/21	199,959	-	-	199,959	199,959
Pass-Through Pennsylvania Department of Education:									
COVID-19, Special Education COVID-19 Impact Mitigation Grant	I	84.027	252 201059	7/1/20 - 9/30/21	5,000	-	5,000	5,000	-
Total Assistance Listing #84.027						173,014	178,014	204,959	199,959
Total U.S. Department of Education						173,014	1,338,231	1,284,304	119,087
<u>U.S. Department of the Treasury</u>									
Pass-Through Pennsylvania Commission on Crime and Delinquency									
COVID-19, Coronavirus Relief Fund	I	21.019	2020-CS-01-34126	3/1/20 - 10/30/20	90,000	-	90,000	90,000	-
Total U.S. Department of the Treasury						-	90,000	90,000	-
Total Expenditures of Federal Awards						\$ 173,014	\$ 1,428,231	\$ 1,374,304	\$ 119,087

D - Direct Funding
I - Indirect Funding

Note: There were no awards passed through to subrecipients.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of Mastery Charter School – Shoemaker Campus (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of activities and statement of revenue, expenditures, and changes in fund balance – governmental funds.

NOTE 4 INDIRECT COST RATE

Mastery Charter School – Shoemaker Campus has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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 Trustees
Mastery Charter School – Shoemaker Campus
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Mastery Charter School – Shoemaker Campus, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Mastery Charter School – Shoemaker Campus' basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mastery Charter School – Shoemaker Campus' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mastery Charter School – Shoemaker Campus' internal control. Accordingly, we do not express an opinion on the effectiveness of Mastery Charter School – Shoemaker Campus' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 9, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Mastery Charter School – Shoemaker Campus
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Mastery Charter School – Shoemaker Campus' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mastery Charter School – Shoemaker Campus' major federal programs for the year ended June 30, 2021. Mastery Charter School – Shoemaker Campus' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mastery Charter School – Shoemaker Campus' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mastery Charter School – Shoemaker Campus' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on compliance for each of the major federal program. However, our audit does not provide a legal determination of Mastery Charter School – Shoemaker Campus' compliance.

Opinion on Each Major Federal Program

In our opinion, Mastery Charter School – Shoemaker Campus 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 program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Mastery Charter School – Shoemaker Campus is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mastery Charter School – Shoemaker Campus’ internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mastery Charter School – Shoemaker Campus’ 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 9, 2021

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.027	Pass-Through School District of Philadelphia – Individuals with Disabilities Education Act Part B
84.425C and 84.425	Pass-Through Pennsylvania Department of Education – COVID – 19, Education Stabilization Fund

Dollar threshold used to distinguish between Type A or Type B programs was: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

**MASTERY CHARTER SCHOOL – SHOEMAKER CAMPUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Audit Findings

2020-001

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition: The internal control structure did not prevent the incomplete reporting of February 2019 PSERS covered payroll information and related employer contributions by the required deadline.

Status: This condition occurred during fiscal year ending June 30, 2019. It was a unique situation in that the School was in the midst of a payroll system conversion, and the incomplete data submission was for the first payroll processed in the new system. As a result of the School's suite of internal controls, this omission was subsequently detected and corrected by the School during fiscal year ending June 30, 2020. PSERS reporting submission for the fiscal year ending June 30, 2020, has been done completely by the required deadlines.

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