

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)	27
SINGLE AUDIT REQUIREMENTS	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	29
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	30
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mastery Charter School – Prep Elementary
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Mastery Charter School – Prep Elementary, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mastery Charter School – Prep Elementary's basic financial statements as listed in the table of contents.

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 – Prep Elementary, as of June 30, 2022, 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2021, Mastery Charter School – Prep Elementary adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than 12 months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mastery Charter School – Prep Elementary’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures, and changes in fund balance – budget and actual be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mastery Charter School – Prep Elementary's 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. 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.

Report on Summarized Comparative Information

We have previously audited Mastery Charter School – Prep Elementary's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and the general fund in our report dated December 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Trustees
Mastery Charter School – Prep Elementary

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of Mastery Charter School – Prep Elementary’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mastery Charter School – Prep Elementary’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mastery Charter School – Prep Elementary’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 29, 2022

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

The management of Mastery Charter School – Prep Elementary (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, 2022. We encourage readers to consider the information presented here in conjunction with the School’s financial statements.

On June 21, 2018, the School was granted a new charter by the Commonwealth of Pennsylvania as “Mastery Charter School – Prep Elementary” for a term of July 1, 2018 to June 30, 2023, under the new management of the Mastery Charter Schools.

Financial Highlights

- Total revenues increased by \$1,625,728 to \$8,993,893, primarily due to an increase in the student subsidies, state sources, and federal sources offset by decreases in other grants and contributions and other local sources for the year ended June 30, 2022.
- At the close of the current fiscal year, the School reports ending net position of \$2,310,367. This net position balance represents an increase in net position of \$371,438 for the year ended June 30, 2022.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$1,231,285. The general fund balance represents an increase in fund balance of \$229,118 for the year ended June 30, 2022.
- The School’s cash and cash equivalents balance at June 30, 2022 was \$2,917,225, an increase of \$841,321 from June 30, 2021.

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 under *Government Auditing Standards*.

Government-Wide Financial Statements

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

The *statement of net 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 – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Overview of the Financial Statements

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 exceeded liabilities by \$2,310,367 as of June 30, 2022.

	2022	2021
Current and Other Assets	\$ 3,330,995	\$ 2,383,554
Capital Assets	3,580,930	371,604
Total Assets	6,911,925	2,755,158
Current Liabilities	1,605,619	797,808
Noncurrent Liabilities	2,995,939	18,421
Total Liabilities	4,601,558	816,229
Net Investment in Capital Assets	379,082	336,762
Unrestricted	1,931,285	1,602,167
Total Net Position	\$ 2,310,367	\$ 1,938,929

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Government-Wide Financial Analysis (Continued)

The School’s revenues are predominately from the School District of Philadelphia, based on the student enrollment, awards from federal, state and local sources, and other grants and contributions.

	2022	2021
REVENUES		
Local Educational Agencies	\$ 6,420,554	\$ 5,628,530
State Sources	67,118	58,195
Federal Sources	1,897,998	657,561
Other Grants and Contributions	410,000	350,651
Other Local Sources	192,386	665,618
Interest	5,837	7,610
Total Revenues	8,993,893	7,368,165
EXPENDITURES		
Instruction	3,192,749	2,429,148
Special Education	1,798,607	991,938
Student Support Services	160,548	3,464
Pupil Support	397,151	242,915
Instruction Support Services	61,405	1,530
Administration Support	1,361,805	1,110,683
Pupil Health	143,727	282,590
Business Support	39,200	35,000
Operations and Maintenance	657,203	745,753
Other Support Services	112,733	63,922
Student Activities	229,284	24,701
Interest Expense	139,972	2,902
Depreciation and Amortization Expense	328,071	82,316
Total Expenditures	8,622,455	6,016,862
Change in Net Position	371,438	1,351,303
Net Position - Beginning	1,938,929	587,626
Net Position - Ending	\$ 2,310,367	\$ 1,938,929

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Governmental 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 \$1,931,285. For the year ended June 30, 2022, the School’s revenues (\$8,993,893) exceeded expenditures (\$8,664,775) by \$329,118.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenue by \$118,893 due to greater than budgeted federal and other local sources offset by less than budgeted local sources and other grants and contributions. Actual expenditures were greater than budgeted expenditures by \$189,775 due to greater than budgeted expenditures for special education, pupil support, instruction support services, administration support, business support, student activities, and other support services offset by less than budgeted expenditures for instruction, student support services, and pupil health.

Capital Asset

As of June 30, 2022, the School’s investment in capital assets for its governmental activities totaled \$379,082 (net of accumulated depreciation and amortization and related debt). This investment in capital assets includes equipment, furniture, leasehold improvements, and right-to-use lease assets.

Major capital asset purchases during the year included the following:

- Equipment of \$43,244
- Furniture of \$148,039

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

Long-Term Debt

As of June 30, 2022, the School has long-term debt of \$3,201,848 for lease liability. See Note 4.

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 \$10,786 to \$9,395 per regular education student and decrease from \$31,528 to \$31,494 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 – PREP ELEMENTARY
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS AT JUNE 30, 2021)

	Governmental Activities	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,917,225	\$ 2,075,904
State Subsidies Receivable	54,964	49,394
Federal Subsidies Receivable	140,867	51,700
Other Receivables	89,487	42,462
Prepaid Expenses	28,452	76,594
Due from Mastery Charter School Foundation	100,000	87,500
Total Current Assets	3,330,995	2,383,554
CAPITAL ASSETS, Net	3,580,930	371,604
Total Assets	6,911,925	2,755,158
LIABILITIES		
CURRENT LIABILITIES		
Lease Liability - Current Maturities	205,909	16,421
Accounts Payable	318,265	187,286
Accrued Expenses	825,213	302,690
Due to Other Governmental Entities	4,710	350
Due to Mastery Charter School Foundation	250,000	250,000
Unearned Revenue	1,522	41,061
Total Current Liabilities	1,605,619	797,808
LONG-TERM LIABILITIES		
Lease Liability - Net of Current Portion	2,995,939	18,421
Total Liabilities	4,601,558	816,229
NET POSITION		
Net Investment in Capital Assets	379,082	336,762
Unrestricted	1,931,285	1,602,167
Total Net Position	\$ 2,310,367	\$ 1,938,929

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

Functions	Expenses	Program Revenues Operating Grants and Contributions	2022 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	2021 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 3,192,749	\$ 1,809,646	\$ (1,383,103)	\$ (1,817,969)
Special Education	1,798,607	88,352	(1,710,255)	(945,556)
Student Support Services	160,548	-	(160,548)	(3,464)
Pupil Support	397,151	-	(397,151)	(242,915)
Instruction Support Services	61,405	-	(61,405)	(1,530)
Administration Support	1,361,805	-	(1,361,805)	(1,110,683)
Pupil Health	143,727	-	(143,727)	(282,590)
Business Support	39,200	-	(39,200)	(35,000)
Operations and Maintenance	657,203	-	(657,203)	(745,753)
Other Support Services	112,733	-	(112,733)	(63,922)
Student Activities	229,284	-	(229,284)	(24,701)
Interest Expense	139,972	-	(139,972)	(2,902)
Depreciation and Amortization Expense	328,071	-	(328,071)	(82,316)
Total	<u>\$ 8,622,455</u>	<u>\$ 1,897,998</u>	(6,724,457)	(5,359,301)
General Revenues:				
Local Educational Agencies			6,420,554	5,628,530
State Grants and Reimbursements			67,118	58,195
Other Grants and Contributions			410,000	350,651
Other Local Sources			192,386	665,618
Interest			5,837	7,610
Total General Revenues			<u>7,095,895</u>	<u>6,710,604</u>
Change in Net Position			371,438	1,351,303
Net Position - Beginning of Year			<u>1,938,929</u>	<u>587,626</u>
Net Position - End of Year			<u>\$ 2,310,367</u>	<u>\$ 1,938,929</u>

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS AT JUNE 30, 2021)**

	2022	2021
	General Fund	General Fund
ASSETS		
Cash and Cash Equivalents	\$ 2,917,225	\$ 2,075,904
State Subsidies Receivable	54,964	49,394
Federal Subsidies Receivable	140,867	51,700
Other Receivables	89,487	42,462
Prepaid Expenses	28,452	76,594
Due from Mastery Charter School Foundation	100,000	87,500
Total Assets	\$ 3,330,995	\$ 2,383,554
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 318,265	\$ 187,286
Accrued Expenses	825,213	302,690
Due to Other Governmental Entities	4,710	350
Due to Mastery Charter School Foundation	250,000	250,000
Unearned Revenue	1,522	41,061
Total Liabilities	1,399,710	781,387
DEFERRED INFLOWS OF RESOURCES - UNAVAILABLE FUNDS	100,000	-
FUND BALANCE		
Nonspendable:		
Prepaid Expenses	28,452	76,594
Committed to:		
Designated for Facilities Reserves	1,000,000	-
Assigned to:		
Future Budget Deficits	802,833	1,525,573
Total Fund Balance	1,831,285	1,602,167
Total Liabilities and Fund Balance	\$ 3,330,995	\$ 2,383,554

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balance for Governmental Funds \$ 1,831,285

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 3,580,930

Lease liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. (3,201,848)

Revenue not collected within 120 days of year-end is reported as deferred inflows of resources - unavailable funds. 100,000

Total Net Position of Governmental Activities \$ 2,310,367

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
	General Fund	General Fund
REVENUES		
Local Educational Agencies	\$ 6,420,554	\$ 5,628,530
State Sources	67,118	58,195
Federal Sources	1,897,998	657,561
Other Grants and Contributions	310,000	350,651
Other Local Sources	192,386	665,618
Interest	5,837	7,610
Total Revenues	<u>8,893,893</u>	<u>7,368,165</u>
EXPENDITURES		
Instruction	3,275,485	2,429,148
Special Education	1,798,607	991,938
Student Support Services	160,548	3,464
Pupil Support	397,151	242,915
Instruction Support Services	61,405	1,530
Administration Support	1,380,885	1,128,923
Pupil Health	143,727	282,590
Business Support	39,200	35,000
Operations and Maintenance	1,065,750	821,911
Other Support Services	112,733	63,922
Student Activities	229,284	24,701
Debt Service - Principal	-	1,000,000
Total Expenditures	<u>8,664,775</u>	<u>7,026,042</u>
NET CHANGE IN FUND BALANCE	229,118	342,123
Fund Balance - Beginning of Year	<u>1,602,167</u>	<u>1,260,044</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,831,285</u></u>	<u><u>\$ 1,602,167</u></u>

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance – Total Governmental Funds \$ 229,118

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.

Capital Outlays	191,283
Depreciation and Amortization Expense	(328,071)

Governmental funds report lease liability proceeds as other financing sources in the period the lease is initially recognized, while repayment is reported as expenditures. In the statement of net position, however, the lease liability 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 lease liability is as follows:

Lease Liability Payments	179,108
--------------------------	---------

Revenue not collected within 120 days of year-end is reported as deferred inflows of resources - unavailable funds.

100,000

Change in Net Position of Governmental Activities \$ 371,438

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Mastery Charter School – Prep Elementary (the School) was formed as a Pennsylvania nonprofit corporation to operate in accordance with Pennsylvania Act 22 of 1997. On June 21, 2018, the School was granted a new charter by the Commonwealth of Pennsylvania as “Mastery Charter School – Prep Elementary” for a term of July 1, 2018 to June 30, 2023, in accordance with Pennsylvania Act 22 of 1997. During the year ended June 30, 2022, the School served approximately 450 students in grades kindergarten through fifth.

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.

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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School’s financial statements for the year ended June 30, 2021 from which the summarized information was derived.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements 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 – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of 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 – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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; an original budget was filed and accepted by the Labor, Education, and Community Services Comptroller's Office in June 2021. An amended budget was approved by the board of trustees in January 2022. 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 – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**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 ended June 30, 2022. The stop-loss insurance also provides up to \$1,000,000 of coverage beyond the aggregate annual claims limit of \$21,268,904 for the fiscal year ended June 30, 2022. The annual claims limit is based on the average enrollment of 1,466 covered employees, but is ultimately derived based on the actual covered employees times a monthly claims factor of \$1,209, for each month of the policy period.

During the year ended June 30, 2022, 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, 2022, 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 \$21,247,891, which includes the School's portion of \$443,244 for the year ended June 30, 2022.

Cash and Cash Equivalents

The School's cash is considered to be cash on hand and demand deposits.

Accounts Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal, state, and local subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2022, 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 property 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 – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities. In the Governmental fund financial statements, the face amount of debt is issued is reported as another financing source and is not considered a fund liability, and repayments of debt are considered debt service expenditures.

Leases

The School is a lessee for various equipment and building space. The School recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements based on the criteria dictated in GASB Statement No. 87, *Leases*.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease liabilities are reported with the long-term obligations on the statement of net position.

An intangible right-to use lease asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date. The intangible right-to use lease asset is amortized on a straight-line basis over the shorter of the life of the underlying asset or the lease term. The intangible right-to use lease asset is reported with the School's capital assets in its own category called Right-to-Use Lease Assets.

Key estimates and judgements related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School is utilizing the treasury bill rate (corresponding to length of lease) in place at the date of implementation (July 1, 2021) along with other risk factors to determine the discount interest rate for leases.

The lease terms includes the noncancellable and renewals periods of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments through the end of the term, which includes any renewal periods.

The School has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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.

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The School adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. The adoption of GASB 87 standard did not have any impact on the beginning net position in the financial statements. A net right-to-use lease asset of \$3,346,114 and a lease liability of \$3,346,114 were recorded as of July 1, 2021.

NOTE 2 CASH AND CASH EQUIVALENTS

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, 2022, \$2,728,710 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 2,728,710
Total Custodial Credit Risk	\$ 2,728,710

Reconciliation to the financial statements:

Custodial Credit Risk from Above	\$ 2,728,710
Plus: Insured Amount	250,000
Less: Outstanding Checks	(62,485)
Plus: Petty Cash	1,000
Total Cash Per the Financial Statements	\$ 2,917,225

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 CAPITAL ASSETS

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

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

Capital asset activity for the year is summarized below:

Description	Balance Restated July 1, 2021	Deletions	Additions	Balance June 30, 2022
Equipment	\$ 166,738	\$ -	\$ 43,244	\$ 209,982
Furniture	260,327	-	148,039	408,366
Leasehold Improvements	83,705	-	-	83,705
Right-to-Use Lease Assets	3,375,629	-	-	3,375,629
Total	3,886,399	-	191,283	4,077,682
Less: Accumulated				
Depreciation and Amortization	168,681	-	328,071	496,752
Capital Assets, Net	<u>\$ 3,717,718</u>	<u>\$ -</u>	<u>\$ (136,788)</u>	<u>\$ 3,580,930</u>

Depreciation and amortization expense charged to governmental functions amounted to \$328,071 for the year ended June 30, 2022 and is unallocated.

NOTE 4 LEASES

The School leases a copiers under a right-to-use lease arrangement that expires in June 2023. The lease requires monthly payments of principal and interest amounting to \$1,520, at an interest rate of 6.172% per annum, which was the rate indicated by the lessor as part of the agreements.

The School leases a building for school facilities under a long-term, noncancelable lease agreement through July 2036. The lease requires monthly payments principal and interest of \$25,000 at an interest rate of 4.2% per annum.

Total principal and interest costs for such leases for governmental funds were \$319,080 for the year ended June 30, 2022.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LEASES (CONTINUED)

Total future minimum payments under the lease arrangements as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 205,909	\$ 130,571	\$ 336,480
2024	177,953	122,047	300,000
2025	185,572	114,428	300,000
2026	193,518	106,482	300,000
2027	201,804	98,196	300,000
2028 - 2032	1,146,276	353,724	1,500,000
2023 - 2037	1,090,816	109,184	1,200,000
Total Minimum Lease Payments	<u>\$ 3,201,848</u>	<u>\$ 1,034,632</u>	<u>\$ 4,236,480</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Balance as Restated July 1, 2021	Increases	Decreases	Balance June 30, 2022
Lease Liability	\$ 3,380,956	\$ -	\$ 179,108	\$ 3,201,848

The lease agreements qualify as right-to-use assets for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as the date of their inception. The assets acquired through right-to-use asset lease agreements are as follows:

	<u>Governmental Activities</u>
Right-to-Use Lease Assets:	
Equipment	\$ 29,515
Buildings	3,346,114
Subtotal	3,375,629
Less: Accumulated Depreciation and Amortization	237,831
Total	<u>\$ 3,137,798</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, 2022, the rate for the School District of Philadelphia was \$10,786 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 \$6,420,554 for the year ended June 30, 2022.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, facility lease 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, 2022 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

The School participates in 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, 2022 was \$143,941.

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 service. 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 \$16,688 at June 30, 2022.

NOTE 8 RISK MANAGEMENT

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

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 MANAGEMENT AGREEMENT

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, 2021, 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 10). The NST management fee is 10% of the per-pupil funding received from the local school district by each school. The total fee was \$642,055 for the year ended June 30, 2022. 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 \$131,000 for the year ended June 30, 2022. Unless specified notice is given, the management agreement renews each year during the term of the School's charter.

NOTE 10 RELATED PARTY TRANSACTIONS

Mastery Charter High School, Mastery Charter School – Shoemaker Campus, Mastery Charter School – Thomas Campus, Mastery Charter School – Pickett Campus, Mastery Charter School – Harrity Elementary, Mastery Charter School – Mann Elementary, Mastery Charter School – Smedley Elementary, Hardy Williams Academy Charter School, Grover Cleveland Mastery Charter School, Mastery Charter School – Gratz Campus, Mastery Charter School – Clymer Campus, Francis D. Pastorius Mastery Charter School, Frederick Douglass Mastery Charter School, and Mastery Charter School – John Wister Elementary 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 9).

The following represents amounts due from and to related parties as of June 30, 2022:

	Due from (Receivable)	Due to (Payable)
Due to/from Other Governmental Entities (all Schools)	\$ -	\$ 4,710

NOTE 11 EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN A MAJOR FUND

For the year ended June 30, 2022, the General Fund's total expenditures exceeded total appropriations by \$189,775, or 2.24%.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 NEWLY ADOPTED STATEMENTS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The School adopted Statement No. 89 and determined the standard did not have any impact on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The School adopted Statement No. 92 and determined the standard did not have any impact on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. The School adopted Statement No. 97 and determined the standard did not have any impact on its financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term “annual comprehensive financial report” and its acronym “ACFR.” That new term and acronym replace instances of “comprehensive annual financial report” and its acronym. The School adopted Statement No. 97 and determined the standard did not have any impact on its financial statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 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 – PREP ELEMENTARY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
(UNAUDITED)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final		Final Budget
REVENUES				
Local Sources	\$ 6,882,000	\$ 6,535,000	\$ 6,420,554	\$ (114,446)
State Sources	67,000	67,000	67,118	118
Federal Sources	1,623,000	1,820,000	1,897,998	77,998
Other Grants and Contributions	-	400,000	310,000	(90,000)
Other Local Sources	53,000	53,000	192,386	139,386
Interest	-	-	5,837	5,837
Total Revenues	<u>8,625,000</u>	<u>8,875,000</u>	<u>8,893,893</u>	<u>18,893</u>
EXPENDITURES				
Instruction	3,621,000	3,368,000	3,275,485	(92,515)
Special Education	1,704,000	1,710,000	1,798,607	88,607
Student Support Services	342,000	395,000	160,548	(234,452)
Pupil Support	-	-	397,151	397,151
Instruction Support Services	15,000	40,000	61,405	21,405
Administration Support	1,280,000	1,283,000	1,380,885	97,885
Pupil Health	239,000	274,000	143,727	(130,273)
Business Support	-	-	39,200	39,200
Operations and Maintenance	1,184,000	1,165,000	1,065,750	(99,250)
Other Support Services	95,000	95,000	112,733	17,733
Student Activities	145,000	145,000	229,284	84,284
Total Expenditures	<u>8,625,000</u>	<u>8,475,000</u>	<u>8,664,775</u>	<u>189,775</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 400,000</u>	229,118	<u>\$ (170,882)</u>
Fund Balance - Beginning of Year			<u>1,602,167</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,831,285</u>	

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

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	Amount (Deferred) Revenue at July 1, 2021	Total Received for the Year	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2022
U.S. Department of Education									
Pass-Through Pennsylvania Department of Education:									
Title I - Improving Basic Programs	I	84.010	013 221166	7/7/21 - 9/30/22	\$ 447,377	\$ -	\$ 398,439	\$ 447,377	\$ 48,938
Title II - Improving Teacher Quality	I	84.367	020 211166	8/6/20 - 9/30/21	28,779	5,318	5,318	-	-
Title II - Improving Teacher Quality	I	84.367	020 221166	7/7/21 - 9/30/22	31,123	-	27,561	31,123	3,562
Title IV - Student Support and Academic Enrichment	I	84.424	144 221166	7/7/21 - 9/30/22	28,294	-	28,278	28,294	16
COVID-19 Education Stabilization Fund:									
COVID-19 Elementary and Secondary School Emergency Relief Fund	I	84.425D	200 201166	3/13/20 - 9/30/22	245,709	(41,062)	116,388	157,450	-
COVID-19 Elementary and Secondary School Emergency Relief Fund II	I	84.425D	200 211166	3/13/20 - 9/30/23	1,389,343	-	969,309	1,127,795	158,486
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	223 211166	3/13/20 - 9/30/24	2,810,239	-	153,286	-	(153,286)
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief 7%	I	84.425U	225 211166	3/13/20 - 9/30/24	218,419	-	23,828	17,607	(6,221)
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	I	84.425W	181 212565	7/1/21 - 9/30/24	6,526	-	502	-	(502)
Total COVID-19 Education Stabilization Fund					<u>2,678,636</u>	<u>(41,062)</u>	<u>1,263,313</u>	<u>1,302,852</u>	<u>(1,523)</u>
Pass-Through School District of Philadelphia:									
Individual with Disabilities Education Act Part B	I	84.027	N/A	7/1/20 - 6/30/22	46,382	46,382	46,382	-	-
Individual with Disabilities Education Act Part B	I	84.027	N/A	7/1/21 - 6/30/22	88,352	-	-	88,352	88,352
Total U.S. Department of Education						<u>10,638</u>	<u>1,769,291</u>	<u>1,897,998</u>	<u>139,345</u>
Total Expenditures of Federal Awards						<u>\$ 10,638</u>	<u>\$ 1,769,291</u>	<u>\$ 1,897,998</u>	<u>\$ 139,345</u>

D - Direct Funding
I - Indirect Funding
S - State Share

Note: There were no awards passed through to subrecipients.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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 – Prep Elementary (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 – Prep Elementary has elected not to use the 10% 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 – Prep Elementary
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 – Prep Elementary, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mastery Charter School – Prep Elementary's basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 29, 2022



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

Board of Trustees
Mastery Charter School – Prep Elementary
Philadelphia, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mastery Charter School – Prep Elementary's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Mastery Charter School – Prep Elementary's major federal program for the year ended June 30, 2022. Mastery Charter School – Prep Elementary's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mastery Charter School – Prep Elementary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 29, 2022

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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 | _____ <u>X</u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <u>X</u> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <u>X</u> no |

Federal Awards

- | | | |
|---|------------|------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <u>X</u> 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 | _____ <u>X</u> no |

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.425D, 84.425U, and 84.425W	COVID-19 Education Stabilization Fund Programs
Dollar threshold used to distinguish between Type A or Type B programs was:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee	_____ yes _____ <u>X</u> no

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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

There were no prior year findings required to be reported under the Uniform Guidance.