

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2023
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR
JUNE 30, 2022)**



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YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, 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.

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 twelve 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.

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 2022 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 November 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 16, 2023, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 16, 2023

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

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, 2023. 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 \$1,748,768 to \$10,742,661, primarily due to an increase in the local education agencies, state sources, federal sources and interest offset by decreases in other grants and contributions and other local sources of the year ended June 30, 2023.
- At the close of the current fiscal year, the School reports ending net position of \$3,091,453. This net position balance represents an increase in net position of \$781,086 for the year ended June 30, 2023.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$2,749,329. The general fund balance represents an increase in fund balance of \$918,044 for the year ended June 30, 2023.
- The School’s cash and cash equivalents balance at June 30, 2023 was \$3,607,612, an increase of \$690,387 from June 30, 2022.

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, 2023**

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 \$3,091,453 as of June 30, 2023.

	2023	2022
Current and Other Assets	\$ 4,103,123	\$ 3,330,995
Capital Assets	3,335,525	3,580,930
Total Assets	7,438,648	6,911,925
Current Liabilities	1,465,292	1,605,619
Noncurrent Liabilities	2,881,903	2,995,939
Total Liabilities	4,347,195	4,601,558
Net Investment in Capital Assets	255,864	379,082
Unrestricted	2,835,589	1,931,285
Total Net Position	\$ 3,091,453	\$ 2,310,367

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

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.

	<u>2023</u>	<u>2022</u>
REVENUES		
Local Educational Agencies	\$ 7,373,285	\$ 6,420,554
State Sources	285,746	67,118
Federal Sources	2,908,899	1,897,998
Other Grants and Contributions	100,020	410,000
Other Local Sources	30,322	192,386
Interest	44,389	5,837
Total Revenues	<u>10,742,661</u>	<u>8,993,893</u>
EXPENDITURES		
Instruction	4,492,246	3,192,749
Special Education	2,045,129	1,798,607
Student Support Services	124,062	160,548
Pupil Support	411,767	397,151
Instruction Support Services	25,898	61,405
Administration Support	1,373,772	1,361,805
Pupil Health	87,289	143,727
Business Support	49,100	39,200
Operations and Maintenance	657,263	657,203
Other Support Services	124,507	112,733
Student Activities	78,543	229,284
Interest Expense	134,137	139,972
Depreciation and Amortization Expense	357,862	328,071
Total Expenditures	<u>9,961,575</u>	<u>8,622,455</u>
Change in Net Position	781,086	371,438
Net Position - Beginning	<u>2,310,367</u>	<u>1,938,929</u>
Net Position - Ending	<u>\$ 3,091,453</u>	<u>\$ 2,310,367</u>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

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 \$2,749,329. For the year ended June 30, 2023, the School’s revenues (\$10,762,771) and other financing sources (\$73,786) exceeded expenditures (\$9,918,513) by \$918,044.

General Fund Budgetary Highlights

Actual revenues were greater than budgeted revenue and other financing sources by \$1,264,557 due to greater than budgeted local sources, state sources, federal sources, other grants and contributions, other local sources, interest, and proceeds from lease liability. Actual expenditures were greater than budgeted expenditures by \$446,513 due to greater than budgeted expenditures for instruction, special education, pupil support, business support, other support services, student activities, debt service, and right-to-use lease assets offset by less than budgeted expenditures for student support services, instruction support services, administrative support, pupil health, operations and maintenance, and capital outlays.

Capital Asset

As of June 30, 2023, the School’s investment in capital assets for its governmental activities totaled \$255,864 (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 \$32,301
- Leasehold improvements \$6,370
- Right-to-Use Lease Assets \$73,786

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

Long-Term Debt

As of June 30, 2023, the School has long-term debt of \$3,073,291 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 increase from \$9,442 to \$11,521 per regular education student and increase from \$31,651 to \$36,278 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, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,607,612	\$ 2,917,225
State Subsidies Receivable	96,520	54,964
Federal Subsidies Receivable	296,614	140,867
Other Receivables	89,389	89,487
Prepaid Expenses	11,989	28,452
Due from Mastery Charter School Foundation	-	100,000
Due from Other Governmental Entities	999	-
Total Current Assets	4,103,123	3,330,995
CAPITAL ASSETS, Net	3,335,525	3,580,930
Total Assets	7,438,648	6,911,925
LIABILITIES		
CURRENT LIABILITIES		
Lease Liability - Current Portion	191,388	205,909
Accounts Payable	424,758	318,265
Accrued Expenses	849,146	825,213
Due to Other Governmental Entities	-	4,710
Due to Mastery Charter School Foundation	-	250,000
Unearned Revenue	-	1,522
Total Current Liabilities	1,465,292	1,605,619
LONG-TERM LIABILITIES		
Lease Liability - Net of Current Portion	2,881,903	2,995,939
Total Liabilities	4,347,195	4,601,558
NET POSITION		
Net Investment in Capital Assets	255,864	379,082
Unrestricted	2,835,589	1,931,285
Total Net Position	\$ 3,091,453	\$ 2,310,367

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			Total Governmental Activities	
			2023	2022
Governmental Activities:				
Instruction	\$ 4,492,246	\$ 2,834,389	\$ (1,657,857)	\$ (1,383,103)
Special Education	2,045,129	74,510	(1,970,619)	(1,710,255)
Student Support Services	124,062	-	(124,062)	(160,548)
Pupil Support	411,767	-	(411,767)	(397,151)
Instruction Support Services	25,898	-	(25,898)	(61,405)
Administration Support	1,373,772	-	(1,373,772)	(1,361,805)
Pupil Health	87,289	-	(87,289)	(143,727)
Business Support	49,100	-	(49,100)	(39,200)
Operations and Maintenance	657,263	-	(657,263)	(657,203)
Other Support Services	124,507	-	(124,507)	(112,733)
Student Activities	78,543	-	(78,543)	(229,284)
Interest Expense	134,137	-	(134,137)	(139,972)
Depreciation and Amortization Expense	357,862	-	(357,862)	(328,071)
	<u>\$ 9,961,575</u>	<u>\$ 2,908,899</u>	(7,052,676)	(6,724,457)
General Revenues:				
			7,373,285	6,420,554
Local Educational Agencies				
State Grants and Reimbursements			285,746	67,118
Other Grants and Contributions			100,020	410,000
Other Local Sources			30,322	192,386
Interest			44,389	5,837
Total General Revenues			<u>7,833,762</u>	<u>7,095,895</u>
Change in Net Position			781,086	371,438
Net Position - Beginning of Year			<u>2,310,367</u>	<u>1,938,929</u>
Net Position - End of Year			<u>\$ 3,091,453</u>	<u>\$ 2,310,367</u>

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)**

ASSETS	General Fund	
	2023	2022
Cash and Cash Equivalents	\$ 3,607,612	\$ 2,917,225
State Subsidies Receivable	96,520	54,964
Federal Subsidies Receivable	296,614	140,867
Other Receivables	89,389	89,487
Prepaid Expenses	11,989	28,452
Due from Mastery Charter School Foundation	-	100,000
Due from Other Governmental Entities	999	-
	<u>4,103,123</u>	<u>3,330,995</u>
Total Assets	<u>\$ 4,103,123</u>	<u>\$ 3,330,995</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 424,758	\$ 318,265
Accrued Expenses	849,146	825,213
Due to Other Governmental Entities	-	4,710
Due to Mastery Charter School Foundation	-	250,000
Unearned Revenue	-	1,522
Total Liabilities	<u>1,273,904</u>	<u>1,399,710</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	79,890	100,000
Total Deferred Inflows of Resources	<u>79,890</u>	<u>100,000</u>
FUND BALANCE		
Nonspendable:		
Prepaid Expenses	11,989	28,452
Committed to:		
Designated for Facilities Reserves	1,729,000	1,000,000
Assigned to:		
Future Budget Deficits	1,008,340	802,833
Total Fund Balance	<u>2,749,329</u>	<u>1,831,285</u>
Total Liabilities and Fund Balance	<u>\$ 4,103,123</u>	<u>\$ 3,330,995</u>

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, 2023**

Total Fund Balance for Governmental Funds	\$ 2,749,329
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	3,335,525
Lease liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	(3,073,291)
Certain other local sources receivable will be collected in the future, but are not available to pay for current period's expenditures and, therefore, are not recognized as revenue on the funds:	
Deferred Inflows of Resources – Unavailable Revenue	79,890
Total Net Position of Governmental Activities	\$ 3,091,453

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)

	General Fund	
	<u>2023</u>	<u>2022</u>
REVENUES		
Local Educational Agencies	\$ 7,373,285	\$ 6,420,554
State Sources	285,746	67,118
Federal Sources	2,908,899	1,897,998
Other Grants and Contributions	100,020	310,000
Other Local Sources	50,432	192,386
Interest	44,389	5,837
Total Revenues	<u>10,762,771</u>	<u>8,893,893</u>
EXPENDITURES		
Instruction	4,492,246	3,192,749
Special Education	2,045,129	1,798,607
Student Support Services	124,062	160,548
Pupil Support	411,767	397,151
Instruction Support Services	25,898	61,405
Administration Support	1,373,772	1,380,885
Pupil Health	87,289	143,727
Business Support	49,100	39,200
Operations and Maintenance	657,263	957,203
Other Support Services	124,507	112,733
Student Activities	78,543	229,284
Capital Outlays	38,671	191,283
Debt Service - Principal - Lease Liability	202,343	-
Debt Service - Interest Expense	134,137	-
Right-to-Use Assets	73,786	-
Total Expenditures	<u>9,918,513</u>	<u>8,664,775</u>
OTHER FINANCING SOURCES		
Proceeds from Lease Liability	<u>73,786</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	918,044	229,118
Fund Balance - Beginning of Year	<u>1,831,285</u>	<u>1,602,167</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,749,329</u></u>	<u><u>\$ 1,831,285</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, 2023**

Net Change in Fund Balance — Total Governmental Funds	\$	918,044
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital Outlays		112,457
Depreciation and Amortization Expense		(357,862)
<p>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:</p>		
Lease Proceeds		(73,786)
Lease Liability Payments		202,343
<p>Because other local sources revenue will not be collected for several months after fiscal year-end, they are not considered as available revenues in the funds. Unavailable other local sources revenue increased by the amount during the year.</p>		
Unavailable Revenue		<u>(20,110)</u>
Change in Net Position of Governmental Activities	\$	<u><u>781,086</u></u>

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, the School served approximately 550 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, 2022 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, 2023

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 amortization 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, 2023

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 that are neither restricted nor committed and is determined by Board resolution. 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 2022. An amended budget was approved by the board of trustees in January 2023. 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, 2023**

**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 \$200,000 on any individual covered by the Plan in the policy year ending June 30, 2023. The stop-loss insurance also provides up to \$1,000,000 of coverage beyond the aggregate annual claims limit of \$23,205,263 for the fiscal year ended June 30, 2023. The annual claims limit is based on the average enrollment of 1,409 covered employees, but is ultimately derived based on the actual covered employees times a monthly claims factor of \$1,373, for each month of the policy period.

During the year ended June 30, 2023, 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 2023, 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 \$20,151,914, which includes the School's portion of \$503,131 for the year ended June 30, 2023.

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, 2023, 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.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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. Intangible right-to use lease assets are amortized on a straight-line basis over the shorter of the life of the underlying asset or the lease term.

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.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Leases (Continued)

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 commencement of the lease term along with other risk factors to determine the discount interest rate for leases.

The lease terms include 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.

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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Agreements (SBITA)*. This standard requires the recognition of right-to-use subscription assets and subscription liabilities for contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this standard, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The School adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The adoption of GASB 96 standard did not have any impact on the beginning net position in the financial statements.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, \$3,449,152 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	<u>\$ 3,449,152</u>
Total Custodial Credit Risk	<u><u>\$ 3,449,152</u></u>

Reconciliation to the financial statements:

Custodial Credit Risk from Above	\$ 3,449,152
Plus: Insured Amount	250,000
Less: Outstanding Checks	(92,540)
Plus: Petty Cash	1,000
Total Cash Per the Financial Statements	<u><u>\$ 3,607,612</u></u>

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
Right-to-Use Lease Assets	5 Years

Capital asset activity for the year is summarized below:

Description	Balance July 1, 2022	Deletions	Additions	Balance June 30, 2023
Equipment	\$ 209,982	\$ -	\$ 32,301	\$ 242,283
Furniture	408,366	-	-	408,366
Leasehold Improvements	83,705	-	6,370	90,075
Right-to-Use Lease Assets	3,375,629	-	73,786	3,449,415
Total	<u>4,077,682</u>	-	<u>112,457</u>	<u>4,190,139</u>
Less: Accumulated Depreciation	258,921	-	105,273	364,194
Less: Accumulated Amortization	237,831	-	252,589	490,420
Capital Assets, Net	<u><u>\$ 3,580,930</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (245,405)</u></u>	<u><u>\$ 3,335,525</u></u>

Depreciation and amortization expense charged to governmental functions amounted to \$357,862 for the year ended June 30, 2023 and is unallocated in the statement of activities.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 LEASES

The School leases copier equipment for a monthly payment of \$1,520, including principal and interest, at a rate of 6.85% through June 2023. The lease has no renewal option.

Starting in July 2022, the School leased additional copier equipment for a monthly payment of \$1,520, including principal and interest, at a rate of 8.67% through June 2027. The lease has no renewal option.

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 \$336,480 for the year ended June 30, 2023.

Total future minimum payments under the lease arrangements as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 191,388	\$ 126,852	\$ 318,240
2025	200,220	118,020	318,240
2026	209,488	108,752	318,240
2027	219,215	99,025	318,240
2028	210,445	89,555	300,000
2029 - 2033	1,195,357	304,643	1,500,000
2034 - 2036	847,178	52,822	900,000
Total Minimum Lease Payments	<u>\$ 3,073,291</u>	<u>\$ 899,669</u>	<u>\$ 3,972,960</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Lease Liability	<u>\$ 3,201,848</u>	<u>\$ 73,786</u>	<u>\$ 202,343</u>	<u>\$ 3,073,291</u>

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 LEASES (CONTINUED)

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:

	Governmental Activities
Right-to-Use Lease Assets:	
Equipment	\$ 103,301
Buildings	3,346,114
Subtotal	3,449,415
Less: Accumulated Depreciation and Amortization	490,420
Total	\$ 2,958,995

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, 2023, the rate for the School District of Philadelphia was \$9,442 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 \$7,373,285 for the year ended June 30, 2023.

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, 2023 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.

MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 was \$184,472.

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 \$268 at June 30, 2023.

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.

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, 2022, 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 \$737,329 for the year ended June 30, 2023. 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 \$196,000 for the year ended June 30, 2023. Unless specified notice is given, the management agreement renews each year during the term of the School's charter.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023:

	Due from (Receivable)	Due to (Payable)
Due to/from Other Governmental Entities (all Schools)	\$ 999	\$ -

NOTE 11 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, 2023

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final		Final Budget
REVENUES				
Local Sources	\$ 7,315,000	\$ 7,221,000	\$ 7,373,285	\$ 152,285
State Sources	78,000	173,000	285,746	112,746
Federal Sources	2,047,000	2,096,000	2,908,899	812,899
Other Grants and Contributions	-	-	100,020	100,020
Other Local Sources	60,000	82,000	50,432	(31,568)
Interest	-	-	44,389	44,389
Total Revenues	<u>9,500,000</u>	<u>9,572,000</u>	<u>10,762,771</u>	<u>1,190,771</u>
EXPENDITURES				
Instruction	4,334,000	4,406,000	4,492,246	86,246
Special Education	1,678,000	1,781,000	2,045,129	264,129
Student Support Services	362,000	444,000	124,062	(319,938)
Pupil Support	-	-	411,767	411,767
Instruction Support Services	40,000	40,000	25,898	(14,102)
Administration Support	1,445,000	1,428,000	1,373,772	(54,228)
Pupil Health	140,000	122,000	87,289	(34,711)
Business Support	-	-	49,100	49,100
Operations and Maintenance	917,000	932,500	657,263	(275,237)
Other Support Services	114,000	114,000	124,507	10,507
Student Activities	65,000	65,000	78,543	13,543
Capital Outlays	105,000	139,500	38,671	(100,829)
Debt Service - Principal - Lease Liability	-	-	202,343	202,343
Debt Service - Interest Expense	-	-	134,137	134,137
Right-to-Use Lease Assets	-	-	73,786	73,786
Total Expenditures	<u>9,200,000</u>	<u>9,472,000</u>	<u>9,918,513</u>	<u>446,513</u>
EXCESS OF REVENUES OVER EXPENDITURES	300,000	100,000	844,258	744,258
OTHER FINANCING SOURCES				
Proceeds from Lease Liability	-	-	73,786	73,786
NET CHANGE IN FUND BALANCE	<u>\$ 300,000</u>	<u>\$ 100,000</u>	918,044	<u>\$ 818,044</u>
Fund Balance - Beginning of Year			<u>1,831,285</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,749,329</u>	

Note to Required Supplemental Information

NOTE 1 EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN A MAJOR FUND

For the year ended June 30, 2023, the General Fund's total expenditures exceeded total appropriations by \$446,513, or 4.71%. The overage was funded from excess revenue and existing fund balances.

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Amount (Deferred) Revenue at July 1, 2022	Total Received for the Year	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2023
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	\$ 48,938	\$ 48,938	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013 231166	7/25/22 - 9/30/23	526,876	-	441,317	526,876	85,559
Title II - Improving Teacher Quality	I	84.367	020 211166	7/7/21 - 9/30/22	31,123	3,562	3,562	-	-
Title II - Improving Teacher Quality	I	84.367	020 231166	7/25/22 - 9/30/23	34,556	-	28,795	34,556	5,761
Title IV - Student Support and Academic Enrichment	I	84.424	144 221166	7/7/21 - 9/30/22	28,294	16	16	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144 231166	7/25/22 - 9/30/23	35,104	-	33,440	35,104	1,664
COVID-19 Education Stabilization Fund:									
COVID-19 Elementary and Secondary School Emergency Relief Fund II									
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425D	200 211166	3/13/20 - 9/30/23	1,389,343	158,486	420,034	261,548	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief 7%	I	84.425U	223 211166	3/13/20 - 9/30/24	2,810,239	(153,286)	1,635,048	1,863,836	75,502
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	183	(821)
Total COVID-19 Education Stabilization Fund						(1,523)	2,107,210	2,237,853	129,120
Pass-Through School District of Philadelphia:									
Individual with Disabilities Education Act Part B	I	84.027	N/A	7/1/21 - 6/30/22	88,352	88,352	88,352	-	-
Individual with Disabilities Education Act Part B	I	84.027	N/A	7/1/22 - 6/30/23	74,510	-	-	74,510	74,510
Total U.S. Department of Education						139,345	2,751,630	2,908,899	296,614
Total Expenditures of Federal Awards						\$ 139,345	\$ 2,751,630	\$ 2,908,899	\$ 296,614

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, 2023**

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, 2023, 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 16, 2023.

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

King of Prussia, Pennsylvania
November 16, 2023



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, 2023. 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, 2023.

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.

Board of Trustees
Mastery Charter School – Prep Elementary

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 16, 2023

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

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
84.425D, 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 (CONTINUED)
YEAR ENDED JUNE 30, 2023**

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.