

MASTERY CHARTER SCHOOL – MANN ELEMENTARY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
YEAR ENDED JUNE 30, 2022)**



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mastery Charter School — Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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, the schedule of revenues, expenditures, and changes in fund balance – budget and actual, the schedules of proportionate share of PSERS net pension liability and contributions, and the schedules of proportionate share of PSERS net OPEB liability and contributions 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – MANN ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

The management of Mastery Charter School – Mann 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.

Financial Highlights

- Total revenues increased by \$57,340 to \$10,809,916 due to increases in federal sources and other local sources.
- At the close of the current fiscal year, the School reports ending net position of \$3,884,606. This net position balance represents an increase in net position of \$1,801,555 for the year ended June 30, 2023.
- At the close of the current fiscal year, the School reports an ending general fund balance of \$5,658,248. The general fund balance represents an increase in fund balance by \$1,222,868 for the year ended June 30, 2023.
- The School’s cash and investments balance at June 30, 2023 was \$6,727,860, representing an increase of \$1,447,240 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 – MANN ELEMENTARY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023**

Overview of the Financial Statements (Continued)

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has only one fund type, the governmental general fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the School, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,884,606 as of June 30, 2023.

	2023	2022
Current and Other Assets	\$ 7,195,728	\$ 5,572,192
Capital Assets	1,022,405	1,264,972
Total Assets	8,218,133	6,837,164
Deferred Outflows	534,143	703,143
Current Liabilities	1,481,618	1,160,264
Noncurrent Liabilities	2,600,732	2,945,672
Total Liabilities	4,082,350	4,105,936
Deferred Inflows	785,320	1,351,320
Net Investment in Capital Assets	885,692	1,161,848
Unrestricted	2,998,914	921,203
Total Net Position	\$ 3,884,606	\$ 2,083,051

**MASTERY CHARTER SCHOOL – MANN 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 and awards from federal and state sources.

	2023	2022
REVENUES		
Local Educational Agencies	\$ 7,400,945	\$ 7,907,404
State Sources	148,347	60,569
Federal Sources	2,862,284	2,453,192
Other Grants and Contributions	3,089	651
Other Local Sources	288,869	324,443
Interest	106,382	6,317
Total Revenues	10,809,916	10,752,576
EXPENDITURES		
Instruction	4,226,276	4,172,853
Special Education	1,749,766	1,603,965
Student Support Services	572,758	527,616
Instruction Support Services	42,170	39,529
Administration Support	1,204,630	1,349,210
Pupil Health	87,513	179,529
Business Services	49,300	48,300
Operations and Maintenance	612,934	780,161
Other Support Services	126,777	118,104
Student Activities	12,809	5,316
Interest Expense	5,708	7,034
Depreciation and Amortization Expense	317,720	299,843
Total Expenditures	9,008,361	9,131,460
Change in Net Position	1,801,555	1,621,116
Net Position - Beginning	2,083,051	461,935
Net Position - Ending	\$ 3,884,606	\$ 2,083,051

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 \$5,658,248. For the year ended June 30, 2023, the School’s revenues (\$10,729,114) exceeded expenditures (\$9,506,246) by \$1,222,868.

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

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$333,114 due to higher than budgeted local educational agencies, federal sources, other grants and contributions, other local sources, and interest offset by lower than budgeted state sources. Actual expenditures were less than budgeted expenditures by \$363,754 due to less than budgeted expenditures for instruction, student support services, administration support, pupil health, student activities, and capital outlays offset by greater than budgeted expenditures for special education, instruction support services, business services, operations and maintenance, other support services, and debt service.

Capital Assets

As of June 30, 2023, the School’s investment in capital assets for its governmental activities totaled \$885,692 (net of accumulated depreciation and amortization and related debt). This investment in capital assets includes building improvements, furniture and fixtures, equipment, software, and right-to-use lease assets.

Major capital asset purchases during the year included the following:

- Building improvements of \$65,541
- Equipment of \$9,612

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 \$79,672 for lease liability. See Note 4 of this report.

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, Pennsylvania 19144.

MASTERY CHARTER SCHOOL – MANN ELEMENTARY
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2022)

	Governmental Activities	
	2023	2022
CURRENT ASSETS		
Cash and Investments	\$ 6,727,860	\$ 5,280,620
Federal Subsidies Receivable	148,363	126,239
State Subsidies Receivable	26,608	-
Other Receivables	277,150	105,348
Due from Other Governmental Entities	1,000	-
Prepaid Expenses	14,747	59,985
Total Current Assets	7,195,728	5,572,192
CAPITAL ASSETS, NET	1,022,405	1,264,972
Total Assets	8,218,133	6,837,164
DEFERRED OUTFLOWS		
Deferred Outflows from Pensions - See Note 8	501,000	662,000
Deferred Outflows from OPEB - See Note 9	33,143	41,143
Total Deferred Outflows	534,143	703,143
CURRENT LIABILITIES		
Lease Liability - Current Portion	24,940	23,452
Accounts Payable	324,610	266,382
Accrued Expenses	772,094	707,975
Unearned Revenue	359,974	160,667
Due to Other Governmental Entities	-	1,788
Total Current Liabilities	1,481,618	1,160,264
LONG-TERM LIABILITIES		
Lease Liability - Net of Current Portion	54,732	79,672
Net OPEB Liability	101,000	156,000
Net Pension Liability	2,445,000	2,710,000
Total Long-Term Liabilities	2,600,732	2,945,672
Total Liabilities	4,082,350	4,105,936
DEFERRED INFLOWS		
Deferred Inflows from Pensions - See Note 8	687,320	1,277,320
Deferred Inflows from OPEB - See Note 9	98,000	74,000
Total Deferred Inflows	785,320	1,351,320
NET POSITION		
Net Investment in Capital Assets	885,692	1,161,848
Unrestricted	2,998,914	921,203
Total Net Position	\$ 3,884,606	\$ 2,083,051

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – MANN 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	2023 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	2022 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 4,226,276	\$ 2,755,841	\$ (1,470,435)	\$ (1,845,879)
Special Education	1,749,766	106,443	(1,643,323)	(1,477,747)
Student Support Services	572,758	-	(572,758)	(527,616)
Instruction Support Services	42,170	-	(42,170)	(39,529)
Administration Support	1,204,630	-	(1,204,630)	(1,349,210)
Pupil Health	87,513	-	(87,513)	(179,529)
Business Services	49,300	-	(49,300)	(48,300)
Operations and Maintenance	612,934	-	(612,934)	(780,161)
Other Support Services	126,777	-	(126,777)	(118,104)
Student Activities	12,809	-	(12,809)	(5,316)
Interest Expense	5,708	-	(5,708)	(7,034)
Depreciation and Amortization Expense	317,720	-	(317,720)	(299,843)
Total	<u>\$ 9,008,361</u>	<u>\$ 2,862,284</u>	(6,146,077)	(6,678,268)
GENERAL REVENUES				
Local Educational Agencies			7,400,945	7,907,404
State Grants and Reimbursements			148,347	60,569
Grants and Contributions			3,089	651
Other Local Revenue			288,869	324,443
Interest			106,382	6,317
Total General Revenues			<u>7,947,632</u>	<u>8,299,384</u>
CHANGE IN NET POSITION			1,801,555	1,621,116
Net Position - Beginning			<u>2,083,051</u>	<u>461,935</u>
NET POSITION - END OF YEAR			<u>\$ 3,884,606</u>	<u>\$ 2,083,051</u>

See accompanying Notes to Financial Statements.

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

	2023	2022
	General Fund	General Fund
ASSETS		
Cash and Investments	\$ 6,727,860	\$ 5,280,620
Federal Subsidies Receivable	148,363	126,239
State Subsidies Receivable	26,608	-
Other Receivables	277,150	105,348
Due from Other Governmental Entities	1,000	-
Prepaid Expenses	14,747	59,985
Total Assets	\$ 7,195,728	\$ 5,572,192
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 324,610	\$ 266,382
Accrued Expenses	772,094	707,975
Unearned Revenue	359,974	160,667
Due to Other Governmental Entities	-	1,788
Total Liabilities	1,456,678	1,136,812
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues	80,802	-
Total Deferred Inflows of Resources	80,802	-
FUND BALANCE		
Nonspendable:		
Prepaid Expenses	14,747	59,985
Committed to:		
Facilities Reserves	4,654,000	2,600,000
Unassigned	-	737,408
Assigned:		
Future Budget Deficits	989,501	1,037,987
Total Fund Balance	5,658,248	4,435,380
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,195,728	\$ 5,572,192

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – MANN ELEMENTARY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balance for Governmental Funds	\$ 5,658,248
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital Assets, Net	1,022,405
Lease liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
	(79,672)
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	80,802
Long-term liabilities that pertain to governmental funds, including net pension obligations, net OPEB liability, deferred outflows and deferred inflows are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
OPEB	(165,857)
Pension	(2,631,320)
	(2,631,320)
Total Net Position of Governmental Activities	\$ 3,884,606
	\$ 3,884,606

See accompanying Notes to Financial Statements.

MASTERY CHARTER SCHOOL – MANN 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)

	2023	2022
	General Fund	General Fund
REVENUES		
Local Educational Agencies	\$ 7,400,945	\$ 7,907,404
State Sources	148,347	60,569
Federal Sources	2,862,284	2,453,192
Grants and Contributions	3,089	651
Other Local Revenue	208,067	324,443
Interest	106,382	6,317
Total Revenues	10,729,114	10,752,576
EXPENDITURES		
Instruction	4,527,382	4,464,674
Special Education	1,861,179	1,698,784
Student Support Services	682,715	624,231
Instruction Support Services	42,170	39,529
Administration Support	1,399,138	1,577,101
Pupil Health	87,513	182,048
Business Services	49,300	48,300
Operations and Maintenance	612,934	814,367
Other Support Services	126,777	118,104
Student Activities	12,825	5,316
Capital Outlays	75,153	404,105
Debt Service - Principal - Lease Liability	23,452	-
Debt Service - Interest Expense	5,708	-
Right-to-Use Lease Assets	-	117,960
Total Expenditures	9,506,246	10,094,519
EXCESS OF REVENUES OVER EXPENDITURES	1,222,868	658,057
OTHER FINANCING SOURCES AND USES		
Proceeds from Lease Liability	-	117,960
NET CHANGE IN FUND BALANCE	1,222,868	776,017
Fund Balance - Beginning of Year	4,435,380	3,659,363
FUND BALANCE - END OF YEAR	\$ 5,658,248	\$ 4,435,380

See accompanying Notes to Financial Statements.

**MASTERY CHARTER SCHOOL – MANN 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 \$ 1,222,868

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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Depreciation and Amortization Expense	(317,720)
Capital Outlays	75,153

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.

Unavailable Revenue	80,802
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Governmental funds report lease liability proceeds as financing sources, while repayment is reported as expenditures. In the statement of net position, however, the lease liabilities 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 liabilities is as follows:

Repayments of Lease Liability	23,452
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Governmental Funds report school pension and OPEB contributions as expenditures. However, in the statement of activities, the cost incurred for future pension and OPEB benefits is reported as pension and OPEB expense, as follows:

Change in Pension Expense	694,000
Change in OPEB Expense	23,000
	717,000

Change in Net Position of Governmental Activities	\$ 1,801,555
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MASTERY CHARTER SCHOOL – MANN ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Mastery Charter School – Mann Elementary (School) was formed as a Pennsylvania nonprofit corporation in July 2010. The School was granted a charter by the commonwealth of Pennsylvania to operate an independent public school for an initial five-year term beginning July 1, 2010, in accordance with Pennsylvania Act 22 of 1997. The charter was renewed for an additional five-year term of July 1, 2021 through June 30, 2025. During the year ended June 30, 2023, the School served approximately 535 students in grades kindergarten through six.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with 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.

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

MASTERY CHARTER SCHOOL – MANN 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 – MANN 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 – MANN 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 \$668,705 for the year ended June 30, 2023.

Cash and Cash Equivalents

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

Investments

Money market funds are stated at cost.

Fair Value

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

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

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

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

Fair Value (Continued)

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

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

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

Accounts Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal and state subsidy programs. 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.

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 building 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.

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

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

Pensions

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiemployer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, or the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

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

Pensions (Continued)

Benefits Provided (Continued)

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Act 5 of 2017 created additional classes of service (Class T-G, T-H and DC) that reduce the defined benefit formula but add a defined contribution component to the employee benefit. These plans are effective for employees who join PSERS on or after July 1, 2019. Total member contributions between the two plans range from 7.5% to 8.25%, depending on the class selection. The employer contribution to the defined contribution plan ranges from 2% to 2.25%, with the balance of the contractually required PSERS contribution rate paid to the defined benefit plan. The defined contribution component of a PSERS retirement benefit will be based on the amount of contributions made by the member and the School and the investment performance on those contributions. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in declining investment markets.

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

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

Pensions (Continued)

Contributions (Continued)

Employer Contributions

The employer's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were \$259,000 for the year ended June 30, 2023.

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

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

Other Postemployment Benefits (Continued)

***General Information about the Health Insurance Premium Assistance Program
(Continued)***

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$6,000 for the year ended June 30, 2023.

Leases

The School is a lessee for various equipment. 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 commencement of lease term 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 – MANN ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

**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.

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.

NOTE 2 CASH AND INVESTMENTS

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, \$4,849,966 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 4,849,966
Total Custodial Credit Risk	\$ 4,849,966
Reconciliation to the Financial Statements:	
Custodial Credit Risk from Above	\$ 4,849,966
Plus: Insured Amount	273,696
Less: Outstanding Checks	(28,369)
Total Cash	5,095,293
Investments	1,632,567
Total Cash and Investments	\$ 6,727,860

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2023, the School's investments are stated at cost. Investments are comprised of a money market fund and totaled \$1,632,567 as of June 30, 2023.

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:

Building Improvements	5 Years
Furniture and Fixtures	7 Years
Equipment	5 to 10 Years
Software	3 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
Building Improvements	\$ 1,326,728	\$ 6,794	\$ 65,541	\$ 1,385,475
Furniture and Fixtures	284,502	4,907	-	279,595
Equipment	801,120	27,655	9,612	783,077
Software	3,500	3,500	-	-
Right-to-Use Lease Assets	117,960	-	-	117,960
Total	2,533,810	42,856	75,153	2,566,107
Less: Accumulated Depreciation	1,245,247	42,856	294,127	1,496,518
Less: Accumulated Amortization	23,591	-	23,593	47,184
Capital Assets, Net	\$ 1,264,972	\$ -	\$ (242,567)	\$ 1,022,405

Depreciation and amortization expense charged to governmental functions amounted to \$317,720 for the year ended June 30, 2023 and is unallocated in the statement of activities.

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

NOTE 4 LEASES

Lease Liability: Right-to-Use Asset Agreements

The School leases copier equipment under a lease for monthly payments of \$2,430, including principal and interest, at a rate of 6.172% through June 2026. The lease has no renewal option.

Total principal and interest costs for such leases for governmental funds were \$23,452 for the year ended June 30, 2023. Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 24,940	\$ 4,220	\$ 29,160
2025	26,524	2,636	29,160
2026	28,208	952	29,160
Total Minimum Lease Payments	<u>\$ 79,672</u>	<u>\$ 7,808</u>	<u>\$ 87,480</u>

The following is a summary of changes in lease liability for the year ended June 30, 2023:

	<u>Balance June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Lease Liability	\$ 103,124	\$ -	\$ 23,452	\$ 79,672

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	\$ 117,960
Less: Accumulated Amortization	47,184
Total	<u>\$ 70,776</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, 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 \$7,400,945 for the year ended June 30, 2023.

MASTERY CHARTER SCHOOL – MANN ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
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.

NOTE 7 RETIREMENT PLAN

Effective July 1, 2012, the School was part of the Mastery Charter School 403(b) Retirement Plan, a multiple employer defined contribution plan under Section 403(b) of the Internal Revenue Code, which employees of the School can elect to contribute. Employees, who do not participate in the PSERS retirement plan, can contribute up to 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. Employees who participate in the PSERS retirement plan can also participate in the 403(b) plan, but these 403(b) contributions are not matched by the School. The School's contribution to the Plan for the year ended June 30, 2023 was \$178,387.

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

The School did not have a liability to the Plan at June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$2,445,000 for its proportionate share of net pension liability for the PSERS Plan. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The employer's proportion of the net pension liability was calculated utilizing the School's one-year required contributions as it relates to the total one-year reported required contributions. At June 30, 2023, the School's proportion was 0.0055%, which was an decrease of 0.0011% from its proportion measured as of June 30, 2022.

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

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

For the year ended June 30, 2023, the employer recognized pension credit of (\$427,000). At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,000	\$ (21,000)
Net Difference Between Projected and Actual Investment Earnings	-	(41,000)
Changes in Proportions	168,000	(595,000)
Changes in Assumptions	73,000	-
Difference Between Employer Contributions and Proportionate Share of Total Contributions	-	(30,320)
Contributions Subsequent to the Measurement Date	<u>259,000</u>	<u>-</u>
Total	<u>\$ 501,000</u>	<u>\$ (687,320)</u>

The amount of \$259,000 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	(255,991)
2025	(48,565)
2026	(211,633)
2027	70,869
Total	<u>\$ (445,320)</u>

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

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

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – Level % of Pay
- Investment Return – The investment rate of return was 7.00%, including inflation at 2.50%.
- Salary Increases – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the experience study that was performed for the five-year period ending June 30, 2020.

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

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

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

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

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	28.0 %	5.3 %
Private Equity	12.0 %	8.0 %
Fixed Income	33.0 %	2.3 %
Commodities	9.0 %	2.3 %
Infrastructure/MLPs	9.0 %	5.4 %
Real Estate	11.0 %	4.6 %
Absolute Return	6.0 %	3.5 %
Cash	3.0 %	0.5 %
Leverage	(11.0)%	0.5 %
Total	100.0 %	

The above was the PSERS board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net asset position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%), or 1 percentage point higher (8.00%) than the current rate (in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Liability	\$ 3,163	\$ 2,445	\$ 1,840

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

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

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the School reported a liability of \$101,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2021 to June 30, 2022. The School’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School’s proportion was 0.0055%, which was an decrease of 0.0011% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized OPEB credit of \$17,000. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,000	\$ (1,000)
Net Difference Between Projected and Actual Investment Earnings	-	-
Changes in Proportions	10,000	(73,000)
Changes in Assumptions	11,000	(24,000)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	5,143	-
Contributions Subsequent to the Measurement Date	6,000	-
Total	<u>\$ 33,143</u>	<u>\$ (98,000)</u>

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

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

The amount of \$6,000 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	(20,279)
2025	(15,802)
2026	(15,278)
2027	(7,223)
2028	(2,825)
Thereafter	(9,450)
Total	<u>\$ (70,857)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS total OPEB liability as of June 30, 2021, to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method was entry age normal, level percent of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%,
 - Eligible retirees will elect to participate post-age 65 at 70%.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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

Actuarial Assumptions and Other Inputs (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2022.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0 %	0.50 %
Total	100.0 %	

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09% at June 30, 2022. Under the plan’s funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year and 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the School’s share of the Premium Assistance net OPEB liability at June 30, 2023, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in Thousands)		
1% Decrease	Healthcare Cost Trend Current Rate	1% Increase
\$ 101	\$ 101	\$ 101

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

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

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate (4.09%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate (in Thousands)		
1% Decrease 3.09%	Current Rate 4.09%	1% Increase 5.09%
\$ 114	\$ 101	\$ 90

OPEB Plan Fiduciary Net Position

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

NOTE 10 RISK MANAGEMENT

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

NOTE 11 MANAGEMENT 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 12). The NST management fee is 10% of the per-pupil funding received from the local school district by each school. The total fee was \$740,095 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 \$194,000 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 – MANN ELEMENTARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 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 — Smedley Elementary, Hardy Williams Academy Charter School, Mastery Charter School — Clymer Elementary, Mastery Charter School — Gratz Campus, Grover Cleveland Mastery Charter School, Francis D. Pastorius Mastery Charter School, Frederick Douglass Mastery Charter School, Mastery Charter School — John Wister Elementary, and Mastery Prep Elementary Charter School are considered related parties as a result of common members of the boards, the management of the schools and common usage of the NST (see Note 11).

The following represents amounts due from and to related parties as of June 30, 2023:

	Due from (Receivable)	Due to (Payable)
Due to/from Other Governmental Entities (all Schools)	\$ 1,000	\$ -

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 – MANN 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) Final Budget
	Original	Final		
REVENUES				
Local Educational Agencies	\$ 7,365,000	\$ 7,284,000	\$ 7,400,945	\$ 116,945
State Sources	61,000	161,000	148,347	(12,653)
Federal Sources	2,812,000	2,812,000	2,862,284	50,284
Other Grants and Contributions	-	-	3,089	3,089
Other Local Sources	157,000	139,000	208,067	69,067
Interest	-	-	106,382	106,382
Total Revenues	<u>10,395,000</u>	<u>10,396,000</u>	<u>10,729,114</u>	<u>333,114</u>
EXPENDITURES				
Instruction	4,624,000	4,827,000	4,527,382	(299,618)
Special Education	1,810,000	1,835,000	1,861,179	26,179
Student Support Services	663,000	700,000	682,715	(17,285)
Instruction Support Services	10,000	10,000	42,170	32,170
Administration Support	1,533,000	1,515,000	1,399,138	(115,862)
Pupil Health	140,000	131,000	87,513	(43,487)
Business Services	-	-	49,300	49,300
Operations and Maintenance	515,000	540,500	612,934	72,434
Other Support Services	120,000	120,000	126,777	6,777
Student Activities	30,000	30,000	12,825	(17,175)
Capital Outlays	2,225,000	161,500	75,153	(86,347)
Debt Service - Principal - Lease Liability	-	-	23,452	23,452
Debt Service - Interest Expense	-	-	5,708	5,708
Total Expenditures	<u>11,670,000</u>	<u>9,870,000</u>	<u>9,506,246</u>	<u>(363,754)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,275,000)</u>	<u>\$ 526,000</u>	1,222,868	<u>\$ 696,868</u>
Fund Balance - Beginning of Year			<u>4,435,380</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,658,248</u>	

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

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

Measurement Date	PSERS Net Pension Liability		School's Covered Payroll	School's Proportionate Share of NPL as a Percent of Covered Payroll	PSERS Fiduciary Net Position as a Percent of Total Pension Liability
	School's Proportion	School's Proportion Share			
June 30, 2014	0.0167%	\$ 6,610	\$ 2,136	310%	57.20%
June 30, 2015	0.0141%	6,107	1,819	336%	54.40%
June 30, 2016	0.0120%	5,944	1,553	383%	50.14%
June 30, 2017	0.0110%	5,431	1,464	371%	51.80%
June 30, 2018	0.0106%	5,089	1,422	358%	54.00%
June 30, 2019	0.0077%	3,602	1,062	339%	55.66%
June 30, 2020	0.0059%	2,905	826	352%	54.32%
June 30, 2021	0.0066%	2,710	927	292%	63.67%
June 30, 2022	0.0055%	2,445	843	290%	61.34%

PSERS Schedule of Contributions (Unaudited)
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2014/15	\$ 363	\$ 363	\$ -	\$ 1,819	19.96%
2015/16	375	375	-	1,553	24.15%
2016/17	400	400	-	1,464	27.32%
2017/18	423	423	-	1,422	29.75%
2018/19	401	401	-	1,062	37.76%
2019/20	275	275	-	826	33.29%
2020/21	309	309	-	927	33.33%
2021/22	276	276	-	843	32.74%
2022/23	259	259	-	755	34.31%

Note – 10 years are required; additional years will be added as they become available.

Notes to Required Supplemental Information

(1) Methods and Assumptions used in Calculations of Actuarially Determined Proportionate Share of PSERS Net Pension Liability and Contributions:

- Actuarial Cost Method – Entry Age Normal – Level % of Pay.
- Investment Return – The investment rate of return was 7.00%, including inflation at 2.50%.
- Salary Increases – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

Measurement Date	PSERS Net OPEB Liability		School's Covered Payroll	School's Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
	School's Proportion	School's Proportionate Share			
June 30, 2017	0.0110%	\$ 224	\$ 1,464	15.30%	5.73%
June 30, 2018	0.0106%	221	1,422	15.50%	5.56%
June 30, 2019	0.0077%	164	1,062	15.40%	5.56%
June 30, 2020	0.0059%	127	826	15.40%	5.69%
June 30, 2021	0.0066%	156	927	16.80%	5.30%
June 30, 2022	0.0055%	101	843	12.00%	6.86%

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

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS in FY	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2017/18	\$ 11	\$ 11	\$ -	\$ 1,422	0.77%
2018/19	10	10	-	1,062	0.94%
2019/20	7	7	-	826	0.85%
2020/21	8	8	-	927	0.86%
2021/22	6	6	-	843	0.71%
2021/23	6	6	-	755	0.79%

Note – 10 years are required; additional years will be added as they become available.

Notes to Required Supplemental Information

(1) Changes in Actuarial Assumptions

The investment rate of return was changed from 2.18% to 4.09%.

(2) Methods and Assumptions used in Calculations of Actuarially Determined Proportionate Share of PSERS Net OPEB Liability and Contributions:

- Actuarial cost method was entry age normal, level percent of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 4.5%, comprising 2.50% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed health care cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

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

Federal Grantor		Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2022	Total Received for the Year	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2023
<u>U.S. Department of Education</u>									
Pass-Through Pennsylvania Department of Education:									
	Title I - Improving Basic Programs	I 84.010	013 231096	7/25/22 - 9/30/23	\$ 519,697	\$ -	\$ 485,062	\$ 519,697	\$ 34,635
	Title II - Improving Teacher Quality	I 84.367	020 231096	7/25/22 - 9/30/23	33,899	-	33,824	33,899	75
	Title IV - Improving Teacher Quality	I 84.424	144 221096	7/7/21 - 9/30/22	38,186	22	22	-	-
	Title IV - Improving Teacher Quality	I 84.424	144 231096	7/25/22 - 9/30/23	41,339	-	34,129	41,339	7,210
COVID-19 Education Stabilization Fund:									
	COVID-19 Elementary and Secondary School Emergency Relief Fund II	I 84.425D	200 211096	3/13/20 - 9/30/23	1,875,123	40,677	479,683	439,006	-
	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief	I 84.425U	223 211096	3/13/20 - 9/30/24	3,792,831	(206,882)	1,792,975	1,550,750	(449,107)
	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief 7%	I 84.425U	225 211096	3/13/20 - 9/30/24	294,789	(710)	80,397	168,877	87,770
	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	I 84.425W	181 212564	7/1/21 - 9/30/24	10,735	6,247	7,157	2,273	1,363
	Total COVID-19 Education Stabilization Fund					<u>(160,668)</u>	<u>2,360,212</u>	<u>2,160,906</u>	<u>(359,974)</u>
Pass-Through School District of Philadelphia:									
	Individuals with Disabilities Education Act Part B	I 84.027	N/A	7/1/21 - 6/30/22	126,218	126,218	126,218	-	-
	Individuals with Disabilities Education Act Part B	I 84.027	N/A	7/1/22 - 6/30/23	106,443	-	-	106,443	106,443
	Total U.S. Department of Education					<u>(34,428)</u>	<u>3,039,467</u>	<u>2,862,284</u>	<u>(211,611)</u>
	Total Expenditures of Federal Awards					<u>\$ (34,428)</u>	<u>\$ 3,039,467</u>	<u>\$ 2,862,284</u>	<u>\$ (211,611)</u>

D - Direct Funding

I - Indirect Funding

Note: There were no awards passed through to subrecipients

See accompanying Notes to Schedule of Expenditures of Federal Awards

MASTERY CHARTER SCHOOL – MANN 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann Elementary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mastery Charter School – Mann Elementary's internal control. Accordingly, we do not express an opinion on the effectiveness of Mastery Charter School – Mann 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 – Mann 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 result of that testing, and not to provide an opinion on the effectiveness of Mastery Charter School – Mann Elementary’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mastery Charter School – Mann Elementary’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 – Mann Elementary
Philadelphia, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mastery Charter School – Mann 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 – Mann Elementary's major federal program for the year ended June 30, 2023. Mastery Charter School – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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 – Mann 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

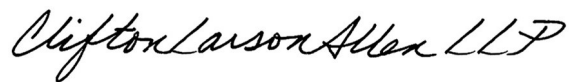
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 – Mann 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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 16, 2023

**MASTERY CHARTER SCHOOL – MANN 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 | _____ <input checked="" type="checkbox"/> no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <input checked="" type="checkbox"/> none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <input checked="" type="checkbox"/> no |

Federal Awards

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

**MASTERY CHARTER SCHOOL – MANN 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.