

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
JUNE 30, 2025**

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

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June 30, 2025

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Unmodified Opinion on Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – Governmental Entity

Independent Auditor's Report

To the Board of Trustees of
Mastery Charter School - Gratz Campus:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the general fund of Mastery Charter School - Gratz Campus (the School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 - Gratz Campus as of June 30, 2025, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 opinion.

Emphasis of Matter

During fiscal year 2025, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which modifies the accounting treatment for accrued compensated absences in the statement of net position (see Note 2). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the School'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 the School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information on pages 33 through 35 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2025, 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.

AAFCPA, Inc.

Boston, Massachusetts
November 26, 2025

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The management of Mastery Charter School - Gratz Campus (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2025, include the following:

- Total revenues decreased by \$2,802,596 to \$26,158,429, primarily due to an increase in local educational agencies offset by the decrease in Federal sources due to expiration of COVID funding for the year ended June 30, 2025.
- At June 30, 2025, the School reports ending net position of \$14,678,726. This net position balance represents an increase in net position of \$1,425,933 for the year ended June 30, 2025 (also see Note 2 for impact to beginning net position related to adoption of GASB 101).
- At June 30, 2025, the School reported an ending general fund balance of \$11,410,807. The general fund balance represents a decrease in fund balance of \$3,856,051 for the year ended June 30, 2025.
- The School's cash balance at June 30, 2025, was \$2,617,803, representing a decrease of \$3,972,204 from June 30, 2024.

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 schedules, and reporting requirements under *Government Auditing Standards* and Uniform Guidance.

Governmental-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 the School's assets and liabilities as well as separate sections of deferred outflows of resources and deferred inflows of resources. The difference is 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 given 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 – GRATZ CAMPUS

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

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 one governmental fund, the 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 of resources exceeded liabilities and deferred inflows of resources by \$14,678,726 as of June 30, 2025.

Mastery Charter School – Gratz Campus Statement of Net Position As of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Current assets	\$ 14,910,419	\$ 18,730,661
Noncurrent assets	<u>8,760,111</u>	<u>4,474,542</u>
Total assets	<u>\$ 23,670,530</u>	<u>\$ 23,205,203</u>
Deferred outflows of resources	<u>\$ 469,000</u>	<u>\$ 647,196</u>
Current liabilities	\$ 3,399,087	\$ 3,066,607
Noncurrent liabilities	<u>3,794,717</u>	<u>4,860,507</u>
Total liabilities	<u>\$ 7,193,804</u>	<u>\$ 7,927,114</u>
Deferred inflows of resources	<u>\$ 2,267,000</u>	<u>\$ 2,453,000</u>
Net Position:		
Net invested in capital assets	\$ 8,666,604	\$ 3,762,588
Unrestricted	<u>6,012,122</u>	<u>9,709,697</u>
Total net position **	<u>\$ 14,678,726</u>	<u>\$ 13,472,285</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

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.

Mastery Charter School – Gratz Campus Statement of Activities For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues:		
Local educational agencies	\$ 21,640,459	\$ 19,528,005
Federal sources	2,291,375	7,328,865
State sources	492,302	435,889
Other grants and contributions	6,593	33,706
Other local sources	1,015,533	1,244,574
Interest and other	<u>712,167</u>	<u>389,986</u>
Total revenues	<u>26,158,429</u>	<u>28,961,025</u>
Expenses:		
Instruction	7,839,447	6,944,152
Special education	8,002,469	6,053,210
Student support services	2,214,238	2,002,791
Instruction support services	39,294	-
Administration support	3,580,758	2,902,112
Pupil health	171,297	156,071
Business services	144,400	133,600
Student transportation services	1,977	1,600
Operations and maintenance	1,771,915	1,793,675
Other support services	205,290	172,893
Student activities	455,381	263,464
Change in compensated absences	(44,618)	-
Net change in pension and OPEB deficit	(1,198,804)	*
Lease interest expense	9,549	14,381
Depreciation and amortization (unallocated)	<u>1,539,903</u>	<u>1,264,877</u>
Total expenses	<u>24,732,496</u>	<u>21,702,826</u>
Change in net position	1,425,933	7,258,199
Net position – beginning **	<u>13,252,793</u>	<u>6,214,086</u>
Net position – ending **	<u>\$ 14,678,726</u>	<u>\$ 13,472,285</u>

* Amount was shown net of expense in prior year presentation.

** The prior year comparative information does not include a compensated absence accrual for adoption of GASB 101 (see Note 2) for impact of current year adoption on beginning net position.

GOVERNMENTAL FUND

The focus of the School's governmental fund is to provide information on near-term inflow, 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.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

GOVERNMENTAL FUND (Continued)

The School’s governmental fund (the General Fund) reported an ending fund balance of \$11,410,807. For the year ended June 30, 2025, the School’s general revenues of \$26,451,207 were less than expenditures of \$30,307,258 by \$3,856,051.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$461,207 due to higher than budgeted local educational agencies, Federal sources, state sources, and other local sources offset by lower than budgeted interest and other income. Actual expenditures were higher than budgeted expenditures by \$1,417,258 due to greater than budgeted expenditures for other support services, student activities, and capital outlay, offset by lower than budgeted expenditures for instruction, special education, student support services, administration support, and pupil health.

CAPITAL ASSET AND DEBT ADMINISTRATION

Net Investment in Capital Assets

As of June 30, 2025, the School’s investment in capital assets, including right-to-use lease assets for its governmental activities, totaled \$8,666,604 (net of accumulated depreciation and amortization and related lease liabilities). This investment in capital assets includes construction in progress, building improvements, furniture and equipment, right-to-use assets (net of lease liabilities), and software.

Major capital asset purchases during the year included the following:

Construction in progress	\$ 5,549,800
Building and improvements	\$ 188,245
Furniture and equipment	\$ 87,427

Additional information on the School’s capital assets can be found in Note 5 of this report.

Long-term Debt

As of June 30, 2025, the School has long-term debt of \$93,507 for lease liability. See Note 7 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 \$12,709 to \$14,949 per regular education student and increase from \$39,913 to \$45,573 per special education student.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

The School expects an increase in per-pupil payment rate in 2025-26 based on current School District budget developments; however, the School is not able to assess the exact financial impact as the students’ demographics fluctuate throughout the year.

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 – GRATZ CAMPUS

Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 2,617,803
Federal subsidies receivable	492,948
Other receivables, net	157,271
Due from other governmental entities	22,875
Investments	11,428,520
Prepaid expenses	191,002
Total current assets	<u>14,910,419</u>
Non-Current Assets:	
Capital assets, net	8,677,342
Right-to-use lease assets, net	82,769
Total non-current assets	<u>8,760,111</u>
Total assets	<u>23,670,530</u>
Deferred Outflows of Resources:	
Deferred outflows from pension	451,000
Deferred outflows from OPEB	18,000
Total deferred outflows of resources	<u>469,000</u>
Total assets and deferred outflows of resources	<u>\$ 24,139,530</u>
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 902,908
Accrued expenses	2,418,515
Lease liability - due within one year	49,664
Unearned revenue	28,000
Total current liabilities	<u>3,399,087</u>
Long-Term Liabilities:	
Lease liability - due beyond one year	43,843
Compensated absences	174,874
Net pension liability	3,432,000
Net OPEB liability	144,000
Total long-term liabilities	<u>3,794,717</u>
Total liabilities	<u>7,193,804</u>
Deferred Inflows of Resources:	
Deferred inflows from pension	2,068,000
Deferred inflows from OPEB	199,000
Total deferred inflows of resources	<u>2,267,000</u>
Net Position:	
Net investment in capital assets	8,666,604
Unrestricted	6,012,122
Total net position	<u>14,678,726</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,139,530</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Statement of Activities
For the Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
Governmental Activities:			
Instruction	\$ 7,839,447	\$ 1,951,684	\$ (5,887,763)
Special education	8,002,469	339,691	(7,662,778)
Student support services	2,214,238	-	(2,214,238)
Instruction support services	39,294	-	(39,294)
Administration support	3,580,758	-	(3,580,758)
Pupil health	171,297	-	(171,297)
Business services	144,400	-	(144,400)
Student transportation services	1,977	-	(1,977)
Operations and maintenance	1,771,915	-	(1,771,915)
Other support services	205,290	-	(205,290)
Student activities	455,381	-	(455,381)
Lease interest expense	9,549	-	(9,549)
Decrease in compensated absences	(44,618)	-	44,618
Increase in net pension deficit	(1,122,804)	-	1,122,804
Increase in net OPEB deficit	(76,000)	-	76,000
Depreciation and amortization (unallocated)	1,539,903	-	(1,539,903)
Total	<u>\$ 24,732,496</u>	<u>\$ 2,291,375</u>	<u>(22,441,121)</u>
General Revenues:			
Local educational agencies			21,640,459
State sources			492,302
Other grants and contributions			6,593
Other local sources			1,015,533
Interest and other			712,167
Total general revenues			<u>23,867,054</u>
Change in net position			1,425,933
Net Position - beginning of year, as restated (see Note 2)			<u>13,252,793</u>
Net Position - end of year			<u>\$ 14,678,726</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Balance Sheet
Governmental Fund
June 30, 2025

	<u>General Fund</u>
Assets:	
Cash	\$ 2,617,803
Federal subsidies receivable	492,948
Other receivables, net	157,271
Due from other governmental entities	22,875
Investments	11,428,520
Prepaid expenses	<u>191,002</u>
 Total assets	 <u><u>\$ 14,910,419</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances:	
Liabilities:	
Accounts payable	\$ 902,908
Accrued expenses	2,418,515
Unearned revenue	<u>28,000</u>
 Total liabilities	 <u>3,349,423</u>
Deferred inflows of resources:	
Unavailable revenues	<u>150,189</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	191,002
Committed:	
Facilities reserve	7,515,000
Assigned:	
Future budget deficits	<u>3,704,805</u>
 Total fund balances	 <u>11,410,807</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 14,910,419</u></u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
For the Year Ended June 30, 2025

Total Fund Balance for Governmental Fund	\$ 11,410,807
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. The costs of the assets is \$14,025,759 and the accumulated depreciation is \$5,348,417 (see Note 5).	8,677,342
Right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$225,934 and the accumulated amortization is \$143,165 (see Note 6).	82,769
Certain revenue receivables 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 inflow of resources - unavailable revenue	150,189
Lease liabilities are not due and payable in the current period and, therefore, are not reported in the funds (see Note 7).	(93,507)
Long-term liabilities that pertain to governmental funds, including compensated absences, 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. Compensated absences Pension OPEB	(174,874) (5,049,000) (325,000)
Total Net Position of Governmental Activities	<u><u>\$ 14,678,726</u></u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2025

	<u>General Fund</u>
Revenues:	
Local educational agencies	\$ 21,640,459
Federal sources	2,584,153
State sources	492,302
Other grants and contributions	6,593
Other local sources	1,015,533
Interest and other	712,167
	<hr/>
Total revenues	26,451,207
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Expenditures:	
Instruction	7,839,447
Special education	8,002,469
Student support services	2,214,238
Instruction support services	39,294
Administration support	3,580,758
Pupil health	171,297
Business services	144,400
Student transportation services	1,977
Operations and maintenance	1,771,915
Other support services	205,290
Student activities	455,381
Capital outlay	5,825,472
Debt service:	
Lease principal payments	45,771
Lease interest expense	9,549
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Total expenditures	30,307,258
	<hr/>
Net change in fund balance	(3,856,051)
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Fund Balance - beginning of year	15,266,858
	<hr/>
Fund Balance - end of year	<u>\$ 11,410,807</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balance - Total Government Fund \$ (3,856,051)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, assets are capitalized and cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization in the current period.

	Capital outlays	5,825,472
	Depreciation expense	<u>(1,494,293)</u>
		4,331,179
	Amortization expense	<u>(45,610)</u>
		(45,610)

Current year amortization of the right-to-use assets allocated over the term of the leases.

Because certain revenue will not be collected for several months after fiscal year-end, they are not revenues in the funds. If positive, it represents monies not recognized in current year funds relating to current year unavailable revenues for fund purposes but revenue for statement of activities. Or, if negative, it represents monies recognized in current year funds relating to prior year unavailable revenues for fund purposes but not revenue for statement of activities.

	Current year unavailable revenue	150,189
	Prior year unavailable revenue	<u>(442,967)</u>
		(292,778)

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

	Principal payments	<u>45,771</u>
		45,771

Governmental funds report compensated absences and school pension and OPEB contributions as expenditures. However, in the statement of activities, the cost incurred for future compensated absences, pension and OPEB benefits is reported as compensated absences, pension and OPEB expense, as follows:

	Change in compensated absences	44,618
	Change in pension expense	1,122,804
	Change in OPEB expense	<u>76,000</u>
		1,243,422

Change in Net Position of Governmental Activities \$ 1,425,933

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Mastery Charter School - Gratz Campus (the School) was formed as a Pennsylvania nonprofit corporation to operate in accordance with Pennsylvania Act 22 of 1997. The initial charter was granted by The School District of Philadelphia on July 1, 2011. The School successfully completed its most recent charter renewal process, and the charter agreement remains in force through June 30, 2026. During the year ended June 30, 2025, the School served approximately 917 students in grades 7 through 12.

The School is a charter school which has financial accountability and control over all activities related to the students' education. The School receives funding from local, state and Federal government resources and must comply with the requirement of these funding sources. The School, however, is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement. In addition, there are no component units as defined by GASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Policies

GASB Statement No. 101 - Compensated Absences

During fiscal year 2025, the School implemented GASB Statement No. 101 (GASB 101), *Compensated Absences*. This statement establishes a unified model for the recognition and measurement of compensated absences, such as vacation, sick leave and paid time off, by requiring recognition of a liability when the leave is attributable to services already rendered, the leave accumulates, and it is more-likely-than-not that the leave will be used or paid.

The implementation of GASB 101 resulted in a significant change in the measurement of the School's compensated absences liability, due to a broader recognition threshold and changes in how leave benefits are accrued. As a result, beginning net position was reduced by \$219,492 to reflect the cumulative effect of applying the new accounting standard.

The cumulative effect of the changes related to the adoption of the new compensated absences standard as of July 1, 2024, were as follows:

<u>Statement of Net Position and Statement of Activities</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Restated</u>
Net position	<u>\$ 13,472,285</u>	<u>\$ (219,492)</u>	<u>\$ 13,252,793</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Policies (Continued)

GASB Statement No. 102 – Certain Risk Disclosures

The School implemented GASB Statement No. 102, *Certain Risk Disclosures*, for the fiscal year ended June 30, 2025. This standard requires disclosure of certain concentrations and constraints that expose the government to significant financial risk if specific events occur. Accordingly, the implementation of GASB 102 did not have a material impact on the financial statements for the fiscal year ended June 30, 2025.

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 the provider have been met.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. Grants and similar items are recognized as soon as all eligibility requirements imposed by providers have been met. For this purpose, the School considers revenues to be available if they are collected within the current period or within 120 days after the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. Compensated absences are recognized as expenditures only to the extent that they are normally expected to be paid from existing unrestricted fund net position. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under leases are reported as other financing sources.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Under the terms of grant agreements, the School supports certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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 require 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 classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets and right-to-use lease assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities 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 is 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. There were no unspent proceeds at June 30, 2025.
- 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."

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to inventory, prepaid items, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statue, grantors, bond agreements, etc.). Committed fund balances represent resources segregated from the unassigned fund balance. 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 which is determined by board approval. Unassigned fund balances are considered the remaining amounts.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Method of Accounting (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is 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 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 should present both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget. The original budget was filed and accepted by the Labor, Education and Community Services Comptroller's Office in June 2024. An amended budget was approved by the Board of Trustees in January 2025. The budget is included as required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The School maintains its cash balances at two banks which are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). Periodically, the School may maintain deposits in excess of the FDIC limit of \$250,000, with financial institutions (see Note 3). The School believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 \$225,000 on any individual covered by the Plan in the policy year ended June 30, 2025. The stop-loss insurance also provides up to \$1,000,000 of coverage beyond the aggregate annual claims limit of \$52,963,554 for the fiscal year ended June 30, 2025.

The annual claims limit is based on the average enrollment of 1,416 covered employees but is ultimately derived based on the actual covered employees times a monthly claims factor of \$3,117, for each month of the policy period.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Estimates – Self-Insured Claims (Continued)

During the year ended June 30, 2025, the School paid premiums to Mastery Charter High School (NST Fund) based on 1) the Plan's historical claims experience, 2) actual claims for the year ended June 30, 2025, 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 \$23,715,591, which includes the School's portion of \$1,386,158 for the year ended June 30, 2025.

Cash and Cash Equivalents

The School's cash consists of cash on hand, demand deposits and amounts held at financial institutions. Cash equivalents include funds held at financial institutions in an investment sweep account consisting of highly liquid holdings with original maturities of three months or less.

Investments

Investments are reported at fair value, based on quotations for applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as other revenue.

Fair Value of Financial Instruments

The School follows the accounting and disclosure standards pertaining to GASB No. 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for Federal and state subsidy programs and receivables from other local authorities. Accounts receivable are stated at the amount management expects to collect from outstanding balances and net of any allowance for doubtful accounts. The allowance is estimated based on professional judgment and historical information. As of June 30, 2025, the allowance for doubtful accounts was \$35,653.

Prepaid Expenses

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

Capital Assets and Right-to-Use Lease 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.

Depreciation and amortization of capital assets and right-to-use lease assets are computed and recorded by the straight-line method over the asset's estimated useful life or lease term, respectively. The following estimated useful lives and lease terms are used to compute depreciation and amortization, respectively:

<u>Description of Capital Cost</u>	<u>Estimated Useful Lives</u>
Building improvements	27 years
Furniture and equipment	3 - 10 years
Software	3 years
Right-to-use lease assets	57 - 60 months (lease terms)

Leases

The School leases 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.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 School's estimated incremental borrowing rate (corresponding to length of lease) in place at the commencement of the lease term along with other risk factors to determine the discount interest rate for leases.

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

The School recognizes payments for short-term leases with a lease term of twelve months or less as expenses are incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position. The School did not hold any short-term leases during fiscal year 2025.

Income Tax Status

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision or liability for income taxes has been recorded in the accompanying financial statements.

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The School has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2025. The School's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

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 the System's fiduciary net position have been determined on the same basis as they are 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.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

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.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with thirty or more years of credited service; or (c) thirty-five 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 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 thirty-five years of service.

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

Benefits are generally between 1% to 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 ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Membership Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%/6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	10.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer's Contributions

The employer's contractually required contribution rate for fiscal year ended June 30, 2025, was 32.92% 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 \$394,000 for the year ended June 30, 2025.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program (HOP). As of June 30, 2024 (the measurement date), there were no assumed future increases to participating eligible retirees.

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

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, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2025, was 0.63% 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 \$8,000 for the year ended June 30, 2025.

Unearned Revenue

Unearned revenue represents funds that have been received but not yet earned. Unearned revenue as of June 30, 2025, is expected to be earned in fiscal year 2026.

Subsequent Events

Subsequent events have been evaluated through November 26, 2025, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

3. DEPOSITS

Custodial Credit Risk

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, 2025, \$2,376,866 of the School's bank balance was exposed to custodial credit risk as follows:

Custodial credit risk:	
Uninsured and uncollateralized amount	<u>\$ 2,376,866</u>
Reconciliation to the financial statements:	
Custodial credit risk from above	\$ 2,376,866
Plus - insured amount	263,334
Less - outstanding checks	(23,397)
Plus - petty cash	<u>1,000</u>
Total cash and cash equivalents	<u>\$ 2,617,803</u>

4. INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in an event of the failure of the counterparty, the School will not recover the value of its investments of collateral securities that are in the possession of an outside party. The School does not have a deposit policy for custodial credit risk. The School's investments in money market accounts do not expose the School to custodial credit risk because they represent investments in open-end mutual funds and are held in the name of the School by a party other than the issuer of the security.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The School does not have a formal investment policy that addresses credit risk. The investments in the securities of U.S. Treasuries were all rated AA+ by Standard & Poor's, and Aaa by Moody's Investors Services. The money market funds were rated AAAm by Standard & Poor's and Aaa-mf by Moody's. The certificates of deposit are not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

4. INVESTMENTS (Continued)

As of June 30, 2025, the School has the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 – 5 Years</u>
Money market	\$ 3,094,710	\$ 3,094,710	\$ -
U.S. Treasuries	5,401,400	2,452,019	2,949,381
Certificates of deposit	<u>2,932,410</u>	<u>1,878,170</u>	<u>1,054,240</u>
	<u>\$ 11,428,520</u>	<u>\$ 7,424,899</u>	<u>\$ 4,003,621</u>

Investments that mature within one to five (1-5) years are considered current assets because they can be liquidated immediately without penalty.

Fair value measurements for all investments have been determined using Level 1 inputs for the School as of June 30, 2025:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 3,094,710	\$ -	\$ -	\$ 3,094,710
Fixed income:				
U.S. Treasuries	5,401,400	-	-	5,401,400
Certificates of deposit	<u>2,932,410</u>	<u>-</u>	<u>-</u>	<u>2,932,410</u>
Total	<u>\$ 11,428,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,428,520</u>

5. CAPITAL ASSETS

Changes in capital assets are as follows for the year ended June 30, 2025:

<u>Governmental Activities</u>	<u>Beginning Balance July 1, 2024</u>	<u>Net Additions</u>	<u>Ending Balance June 30, 2025</u>
Capital assets being depreciated:			
Building and improvements	\$ 5,016,014	\$ 188,245	\$ 5,204,259
Software	16,725	-	16,725
Furniture and equipment	<u>2,964,647</u>	<u>87,427</u>	<u>3,052,074</u>
Total capital assets being depreciated	7,997,386	275,672	8,273,058
Capital assets not being depreciated:			
Construction in progress	<u>202,901</u>	<u>5,549,800</u>	<u>5,752,701</u>
Total capital assets	<u>8,200,287</u>	<u>5,825,472</u>	<u>14,025,759</u>
Less - accumulated depreciation:			
Building and improvements	1,980,125	1,210,584	3,190,709
Software	16,725	-	16,725
Furniture and equipment	<u>1,857,274</u>	<u>283,709</u>	<u>2,140,983</u>
Total accumulated depreciation	<u>3,854,124</u>	<u>1,494,293</u>	<u>5,348,417</u>
Total capital assets, net	<u>\$ 4,346,163</u>	<u>\$ 4,331,179</u>	<u>\$ 8,677,342</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

5. CAPITAL ASSETS (Continued)

Construction in progress as of June 30, 2025, consists of a renovation project on the School’s building and is expected to be completed and placed into service in fiscal year 2026.

6. RIGHT-TO-USE LEASE ASSETS

Changes in right-to-use assets are as follows for the fiscal year ended June 30, 2025:

<u>Governmental Activities</u>	<u>Beginning Balance July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance June 30, 2025</u>
Equipment	\$ 225,934	\$ -	\$ -	\$ 225,934
Less - amortization	<u>97,555</u>	<u>45,610</u>	<u>-</u>	<u>143,165</u>
Total right-to-use lease assets, net	<u>\$ 128,379</u>	<u>\$ (45,610)</u>	<u>\$ -</u>	<u>\$ 82,769</u>

Depreciation and amortization expense on capital assets (see Note 5) and right-to-use lease assets, respectively, was charged to governmental functions for the year ended June 30, 2025, and amounted to \$1,539,903 and was charged to an unallocated function in the accompanying statement of activities.

7. COMMITMENTS

The School leases copiers under lease agreements that expire at various dates through June 2027. The leases require monthly payments of principal and interest of \$3,800. The leases do not include renewal options. Interest expense on the leases was \$9,549 for the year ended June 30, 2025, which is reflected as lease interest expense in the accompanying statement of revenues, expenditures and changes in fund balance. The net present value of the lease liabilities was \$93,507 as of June 30, 2025, and was calculated using a discount rates ranging from 6.17% to 8.67% (the School’s estimated incremental borrowing rate as of the lease commencement dates).

Total future minimum lease payments and future amortization of the related right-to-use lease asset (see Note 6) under lease agreements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Amortization</u>
2026	\$ 49,664	\$ 5,656	\$ 45,609
2027	<u>43,843</u>	<u>1,757</u>	<u>37,160</u>
Total minimum lease payments	<u>\$ 93,507</u>	<u>\$ 7,413</u>	<u>\$ 82,769</u>

The School utilizes its building space under an annual license agreement with the Pennsylvania Department of Education (the PDE). The PDE did not charge any license or related building expenses to the School during the year ended June 30, 2025.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

8. 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, 2025, the rate for the School District of Philadelphia was \$12,709 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 \$21,640,459 for the year ended June 30, 2025.

9. 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, 2025, 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.

10. 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, 2025, was \$436,795.

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, 2025.

11. PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2025, the School reported a liability of \$3,432,000 for its proportionate share of net pension liability for the PSERS Plan. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. 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, 2024, the School's proportion was 0.0082%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School recognized a pension credit of \$(713,000).

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

11. PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

At June 30, 2025, 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	\$ -	\$ (54,000)
Difference between projected and actual investment earnings	57,000	-
Changes in assumptions	-	(2,014,000)
Contributions subsequent to measurement date	<u>394,000</u>	<u>-</u>
Total	<u>\$ 451,000</u>	<u>\$ (2,068,000)</u>

The amount of \$394,000 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, 2025. 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>
2025	\$ (1,065,000)
2026	(723,000)
2027	(211,000)
2028	<u>(12,000)</u>
Total	<u>\$ (2,011,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2024 (measurement date), was determined by rolling forward the System’s total pension liability as of the June 30, 2023, actuarial valuation to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date - June 30, 2023
- 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 Growth - 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’s experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the experience study that was performed for the five-year period ending June 30, 2020.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

11. PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

Investments

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.

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	30.0%	4.8%
Private Equity	12.0	6.7%
Fixed Income	33.5	3.9%
Commodities	5.0	2.5%
Infrastructure	10.0	6.4%
Real Estate	<u>9.5</u>	5.9%
Total	<u>100.0%</u>	

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.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

11. PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

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 one-percentage point lower (6.00%), or one-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Employer’s Proportionate Share of the Net Pension Liability (in thousands)	<u>\$ 4,521</u>	<u>\$ 3,432</u>	<u>\$ 2,513</u>

Pension Plan Fiduciary Net Position

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

12. OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2025, the School reported a liability of \$144,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. 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, 2024, the School’s proportion was 0.0081%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School recognized an OPEB credit of \$(73,000). At June 30, 2025, 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	\$ (2,000)
Changes in proportions	-	(175,000)
Changes in assumptions	9,000	(22,000)
Contributions subsequent to the measurement date	<u>8,000</u>	<u>-</u>
Total	<u>\$ 18,000</u>	<u>\$ (199,000)</u>

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

12. OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (Continued)

The amount of \$8,000 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, 2025. 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>Fiscal Year</u>	<u>Amount</u>
2025	\$ (49,917)
2026	(58,282)
2027	(65,873)
2028	(9,328)
2029	<u>(5,600)</u>
Total	<u>\$ (189,000)</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2024 (measurement date), was determined by rolling forward the PSERS total OPEB liability as of the June 30, 2023 actuarial valuation to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2023
- Actuarial cost method was entry age normal, level percent of pay.
- Investment Return - 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary Growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is 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's 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021, determined the employer contribution rate for fiscal year 2023.
- 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's experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

12. OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS
(Continued)

Investments

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 class as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.70%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.21% at June 30, 2024. 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 the 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 4.21%, which represents the S&P twenty-year Municipal Bond Rate at June 30, 2024, 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, 2024, 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 amount allowed of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year and 489 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 on the following page.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

12. OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS
(Continued)

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

The following presents the School’s share of the Premium Assistance net OPEB liability at June 30, 2024, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were one-percentage point lower or one-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 (Between 4% to 5.8%)	Healthcare Cost Trend Current Rate (Between 5% to 6.8%)	1% Increase (Between 6% to 7.8%)
\$ <u>144</u>	\$ <u>144</u>	\$ <u>144</u>

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 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.21%) or one-percentage point higher (5.21%) than the current rate (4.21%):

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate (in Thousands)		
1% Decrease 3.21%	Current Rate 4.21%	1% Increase 5.21%
\$ <u>163</u>	\$ <u>144</u>	\$ <u>128</u>

OPEB Plan Fiduciary Net Position

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

13. 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. There has been no significant reduction in insurance coverage from the previous year in any of the School’s policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Basic Financial Statements
June 30, 2025

14. 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, 2024, 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 15). The NST management fee is 10% of the per-pupil funding received from the local school district by each school. The total fee was \$2,164,046 for the year ended June 30, 2025. 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 \$426,000 for the year ended June 30, 2025. Unless specified notice is given, the management agreement renews each year during the term of the School's charter.

15. RELATED PARTY TRANSACTIONS

The following 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 14):

- Mastery Charter High School
- Mastery Charter School - Shoemaker Campus
- Mastery Charter School - Thomas Campus
- Mastery Charter School - Pickett Campus
- Mastery Charter School - Harrity Elementary
- Mastery Charter School - Mann Elementary
- Mastery Charter School - Smedley Elementary
- Hardy Williams Academy Charter School
- Mastery Charter School - Clymer Elementary
- Grover Cleveland Mastery Charter School
- Francis D. Pastorius Mastery Charter School
- Mastery Charter School - John Wister Elementary
- Mastery Prep Elementary Charter School
- Frederick Douglas Mastery Charter School

As of June 30, 2025, there were no amounts due from or to related parties.

The School earned \$608,000 in revenue from its Tuition for Alternative Education Program Placement (TAP Program) for students enrolled at the above noted related schools, that attended the School during the year ended June 30, 2025.

16. CONCENTRATIONS OF FUNDING

The School received approximately 84% of its total revenues from the School District of Philadelphia. A significant reduction in the level of support, if it were to occur, could have an effect on the School's programs and activities. This creates a vulnerability to the governmental budgets and policies.

17. 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 – GRATZ CAMPUS

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual - General Fund (Unaudited)
 For the Fiscal Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable (Unfavorable)
Revenues:				
Local educational agencies	\$ 21,580,000	\$ 21,580,000	\$ 21,640,459	\$ 60,459
Federal sources	2,751,000	2,387,000	2,584,153	197,153
State sources	302,000	427,000	492,302	65,302
Other grants and contributions	-	-	6,593	6,593
Other local sources	75,000	75,000	1,015,533	940,533
Interest and other	1,283,000	1,521,000	712,167	(808,833)
Total revenues	<u>25,991,000</u>	<u>25,990,000</u>	<u>26,451,207</u>	<u>461,207</u>
Expenditures:				
Instruction	9,067,000	8,710,000	7,839,447	870,553
Special education	8,181,000	8,187,000	8,002,469	184,531
Student support services	2,403,000	2,441,000	2,214,238	226,762
Instruction support services	31,000	31,000	39,294	(8,294)
Administration support	3,741,680	3,776,680	3,580,758	195,922
Pupil health	195,000	195,000	171,297	23,703
Business services	190,000	190,000	144,400	45,600
Student transportation services	20,000	20,000	1,977	18,023
Operations and maintenance	1,987,000	2,014,000	1,771,915	242,085
Other support services	-	-	205,290	(205,290)
Student activities	270,000	270,000	455,381	(185,381)
Capital outlay	3,000,000	3,000,000	5,825,472	(2,825,472)
Debt service:				
Lease principal payments	45,771	45,771	45,771	-
Lease interest expense	9,549	9,549	9,549	-
Total expenditures	<u>29,141,000</u>	<u>28,890,000</u>	<u>30,307,258</u>	<u>(1,417,258)</u>
Net change in fund balance	<u>\$ (3,150,000)</u>	<u>\$ (2,900,000)</u>	<u>(3,856,051)</u>	<u>\$ (956,051)</u>
Fund Balance, July 1			<u>15,266,858</u>	
Fund Balance, June 30			<u>\$ 11,410,807</u>	

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Schedules of Proportionate Share of PSERS Net Pension Liability (NPL) and Contributions (Unaudited)
For the Year Ended June 30, 2025
(in thousands)

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 Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
	School's Proportionate Share	School's Proportionate Share			
June 30, 2015	0.0342%	\$ 14,814	\$ 4,401	337%	54.40%
June 30, 2016	0.0329%	16,304	4,266	382%	50.14%
June 30, 2017	0.0326%	16,101	4,334	372%	51.80%
June 30, 2018	0.0272%	13,057	3,668	356%	54.00%
June 30, 2019	0.0236%	11,041	3,256	339%	55.66%
June 30, 2020	0.0175%	8,617	2,523	342%	54.32%
June 30, 2021	0.0170%	6,980	2,415	289%	63.67%
June 30, 2022	0.0156%	6,936	2,271	305%	61.34%
June 30, 2023	0.0103%	4,582	1,533	299%	61.85%
June 30, 2024	0.0082%	3,432	1,239	277%	64.63%

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
2015/16	\$ 1,011	\$ 1,011	\$ -	\$ 4,401	22.97%
2016/17	1,152	1,152	-	4,266	27.00%
2017/18	1,178	1,178	-	4,334	27.18%
2018/19	1,096	1,096	-	3,364	32.58%
2019/20	842	842	-	2,523	33.37%
2020/21	808	808	-	2,415	33.46%
2021/22	773	773	-	2,271	34.04%
2022/23	526	526	-	1,533	34.31%
2023/24	410	410	-	1,239	33.09%
2024/25	394	394	-	1,197	32.92%

Note - 10 years are required.

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%, includes inflation of 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's experience and projected using a modified version of the MP-2020 Improvement Scale.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Schedules of Proportionate Share of PSERS Net OPEB Liability and Contributions (Unaudited)
 For the Year Ended June 30, 2025
 (in thousands)

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

Measurement Date	PSERS Net Pension 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 Proportionate Share	School's Proportionate Share			
June 30, 2017	0.032600%	\$ 664	\$ 4,334	15.32%	5.73%
June 30, 2018	0.027200%	567	3,668	15.46%	5.56%
June 30, 2019	0.023600%	502	3,256	15.42%	5.56%
June 30, 2020	0.017400%	376	2,523	14.90%	5.69%
June 30, 2021	0.017000%	402	2,415	16.65%	5.30%
June 30, 2022	0.015500%	285	2,271	12.55%	6.86%
June 30, 2023	0.010200%	185	1,533	12.07%	7.22%
June 30, 2024	0.008100%	144	1,239	11.62%	7.13%

**PSERS OPEB 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
2017/18	\$ 31	\$ 31	\$ -	\$ 3,688	0.84%
2018/19	29	29	-	3,364	0.86%
2019/20	21	21	-	2,523	0.83%
2020/21	20	20	-	2,415	0.83%
2021/22	18	18	-	2,271	0.79%
2022/23	11	11	-	1,533	0.72%
2023/24	8	8	-	1,239	0.65%
2024/25	8	8	-	1,197	0.67%

Note - 10 years are required.

Notes to Required Supplemental Information

(1) Changes in Actuarial Assumptions

The investment rate of return was changed from 4.13% to 4.21%

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

Actuarial Cost Method - Entry Age Normal - Level % of Pay.

Investment Return - 4.21% - S&P 20 Year Municipal Bond Rate.

Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or 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's 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 – GRATZ CAMPUS

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Identification Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued or (Deferred) Revenue at July 1, 2024	Total Received for the Year	Final Federal Disbursements/ Expenditures	Accrued or (Deferred) at June 30, 2025
U.S. Department of Education:								
Pass-Through Pennsylvania Department of Education: Title I Grants to Local Educational Agencies	84.010	013 231112	7/22/24 - 9/30/25	\$ 1,156,643	\$ -	\$ 1,153,575	\$ 1,156,643	\$ 3,068
Total AL No. 84.010					-	1,153,575	1,156,643	3,068
Supporting Effective Instruction State Grants	84.367	020 231112	7/22/24 - 9/30/25	59,808	-	59,808	59,808	-
Total AL No. 84.367					-	59,808	59,808	-
Student Support and Academic Enrichment Program Stronger Connections Grant (SCG)	84.424 84.424F	144 231112 244 241112	7/22/24 - 9/30/25 3/22/24 - 9/30/26	95,795 1,100,016	- 32,738	95,795 283,875	95,795 401,326	- 150,189
Total AL No. 84.424					32,738	379,670	497,121	150,189
COVID-19 Education Stabilization Fund: COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	223 211112	3/13/20 - 9/30/24	9,364,836	953,776	1,191,888	238,112	-
Total COVID-19 Education Stabilization Fund and AL No. 84.424					953,776	1,191,888	238,112	-
Pass-Through School District of Philadelphia: Special Education Cluster (IDEA): Special Education Grants to States Special Education Grants to States	84.027 84.027	N/A N/A	7/1/23 - 6/30/24 7/1/24 - 6/30/25	383,191 339,691	383,191	383,191	339,691	- 339,691
Total Special Education Cluster (IDEA) and AL No. 84.027					383,191	383,191	339,691	339,691
Total U.S. Department of Education					1,369,705	3,168,132	2,291,375	492,948
Total Expenditures of Federal Awards					\$ 1,369,705	\$ 3,168,132	\$ 2,291,375	\$ 492,948

See accompanying Notes to Schedule of Expenditures of Federal Awards.

MASTERY CHARTER SCHOOL – GRATZ CAMPUS

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2025

1. GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Federal financial assistance programs of Mastery Charter School - Gratz Campus (the School). Financial awards received directly from Federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

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 modified 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*. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to the reimbursement.

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, and does not, present either the balance sheet or statement of revenues, expenditures and changes in fund balance of the governmental fund. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures and changes in fund balance of governmental fund.

4. INDIRECT COST RATE

The School has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

Independent Auditor's Report

To the Board of Trustees of
Mastery Charter School - Gratz Campus:

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 - Gratz Campus (the School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

AAFCPA, Inc.

Boston, Massachusetts
November 26, 2025

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Trustees of
Mastery Charter School - Gratz Campus:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mastery Charter School - Gratz Campus' (the School) 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 the School's major Federal program for the year ended June 30, 2025. The School's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School 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 the School'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 the School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the School'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 on the previous page 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 the School'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 the School's compliance with the compliance requirements referred to on the previous page and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School'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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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.

Report on Internal Control Over Compliance (Continued)

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.

AAFCPA, Inc.

Boston, Massachusetts
November 26, 2025

MASTERY CHARTER SCHOOL - GRATZ CAMPUS

Schedule of Findings and Questioned Costs
June 30, 2025

1. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report? Yes X No

Internal control over financial reporting:

- Material weakness(es) disclosed? Yes X No
- Significant deficiency(ies) disclosed? Yes X No

Noncompliance material to financial statements disclosed? Yes X No

Federal Awards

Internal control over each major Federal program:

- Material weakness(es) disclosed? Yes X No
- Significant deficiency(ies) disclosed? Yes X No

Type of auditor’s report issued on compliance for each major Federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of each major Federal program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Title 1 Grants to Local Education Agencies	84.010

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

Auditee qualified as low-risk auditee? X Yes No

2. FINANCIAL STATEMENT FINDINGS

None.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.