

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

Contents  
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 - Prep Elementary:

**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 - Prep Elementary (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 - Prep Elementary 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 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 – PREP ELEMENTARY**

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

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The management of Mastery Charter School - Prep Elementary (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 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 increased by \$445,696 to \$12,598,978, primarily due to an increase in the local educational agencies offset by decreases in Federal sources due to the expiration of COVID funding for the year ended June 30, 2025.
- At June 30, 2025, the School reports ending net position of \$5,999,585. This net position balance represents an increase in net position of \$998,279 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 reports an ending general fund balance of \$5,732,745. The general fund balance represents an increase in fund balance by \$928,284 for the year ended June 30, 2025.
- The School's cash balance at June 30, 2025, was \$3,660,179, representing an increase of \$879,382 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 schedule, 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 – PREP ELEMENTARY

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

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### 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 exceeded liabilities by \$5,999,585 as of June 30, 2025.

#### Mastery Charter School – Prep Elementary Statement of Net Position As of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Current assets	\$ 7,187,476	\$ 6,005,355
Non-current assets	<u>2,985,863</u>	<u>3,186,811</u>
Total assets	<u>\$ 10,173,339</u>	<u>\$ 9,192,166</u>
Current liabilities	\$ 1,604,363	\$ 1,354,543
Non-current liabilities	<u>2,569,391</u>	<u>2,709,174</u>
Total liabilities	<u>\$ 4,173,754</u>	<u>\$ 4,063,717</u>
Net Position:		
Net invested in capital assets	\$ 276,689	\$ 239,087
Unrestricted	<u>5,722,896</u>	<u>4,889,362</u>
Total net position *	<u>\$ 5,999,585</u>	<u>\$ 5,128,449</u>

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

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

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### 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 – Prep Elementary Statement of Activities For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Revenues:</b>		
Local educational agencies	\$ 11,074,359	\$ 9,914,525
Federal sources	839,839	1,786,236
State sources	167,088	139,019
Other grants and contributions	1,500	-
Other local sources	267,704	211,144
Interest and other	<u>248,488</u>	<u>102,358</u>
Total revenues	<u>12,598,978</u>	<u>12,153,282</u>
<b>Expenses:</b>		
Instruction	4,631,638	3,946,186
Special education	2,866,335	2,484,116
Student support services	458,966	405,858
Pupil support	-	125,307
Instructional support services	22,867	3,445
Administration support	1,741,956	1,651,287
Pupil health	112,569	104,502
Business services	73,900	67,800
Operations and maintenance	1,113,431	699,894
Other support services	119,983	121,473
Student activities	37,131	30,300
Lease interest expense	120,661	130,595
Change in compensated absences	(49,040)	-
Depreciation and amortization (unallocated)	<u>350,302</u>	<u>345,523</u>
Total expenses	<u>11,600,699</u>	<u>10,116,286</u>
Change in net position	998,279	2,036,996
Net position - beginning *	<u>5,001,306</u>	<u>3,091,453</u>
Net position - ending *	<u>\$ 5,999,585</u>	<u>\$ 5,128,449</u>

\* 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 – PREP ELEMENTARY

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

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### GOVERNMENTAL FUND (Continued)

The School’s governmental fund (the General Fund) reported an ending fund balance of \$5,732,745. For the year ended June 30, 2025, the School’s general revenues of \$12,584,974 exceeded expenditures of \$11,656,690 by \$928,284.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$439,974 due to higher than budgeted local educational agencies, Federal sources, other local sources, and grants and contributions, offset by lower than budgeted state sources and interest and other income. Actual expenditures were greater than budgeted expenditures by \$86,690 due to greater than budgeted expenditures for special education, administrative support, business services, and student activities, offset by less than budgeted expenditures for instruction, student support services, instruction support services, pupil health, operations and maintenance, other support services, and capital outlays.

### 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 \$276,689 (net of accumulated depreciation and amortization and related lease liabilities). This investment in capital assets includes leasehold improvements, furniture and equipment, and right-to-use lease assets (net of lease liabilities).

Major capital asset purchases during the year included the following:

Leasehold improvements	\$ 141,273
Furniture and equipment	\$ 8,081

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 \$2,709,174 for lease liabilities. 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 – PREP ELEMENTARY**

Statement of Net Position  
June 30, 2025

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	<u>Governmental Activities</u>
<b>Assets:</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,660,179
State subsidies receivable	108,899
Federal subsidies receivable	126,880
Other receivables, net	110,628
Investments	2,986,102
Prepaid expenses	<u>194,788</u>
Total current assets	<u>7,187,476</u>
Non-Current Assets:	
Capital assets, net	477,553
Right-to-use lease assets, net	<u>2,508,310</u>
Total non-current assets	<u>2,985,863</u>
Total assets	<u><u>\$ 10,173,339</u></u>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts payable	\$ 332,124
Accrued expenses	1,054,353
Lease liability - due within one year	<u>217,886</u>
Total current liabilities	<u>1,604,363</u>
Long-Term Liabilities:	
Compensated absences	78,103
Lease liability - due beyond one year	<u>2,491,288</u>
Total long-term liabilities	<u>2,569,391</u>
Total liabilities	<u>4,173,754</u>
<b>Net Position:</b>	
Net investment in capital assets	276,689
Unrestricted	<u>5,722,896</u>
Total net position	<u>5,999,585</u>
Total liabilities and net position	<u><u>\$ 10,173,339</u></u>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

Statement of Activities  
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:			
Instruction	\$ 4,631,638	\$ 713,089	\$ (3,918,549)
Special education	2,866,335	126,750	(2,739,585)
Student support services	458,966	-	(458,966)
Instructional staff support	22,867	-	(22,867)
Administration support	1,741,956	-	(1,741,956)
Pupil health	112,569	-	(112,569)
Business services	73,900	-	(73,900)
Operations and maintenance	1,113,431	-	(1,113,431)
Other support services	119,983	-	(119,983)
Student activities	37,131	-	(37,131)
Lease interest expense	120,661	-	(120,661)
Decrease in compensated absences	(49,040)	-	49,040
Depreciation and amortization (unallocated)	350,302	-	(350,302)
Total	\$ 11,600,699	\$ 839,839	(10,760,860)
General revenues:			
Local educational agencies			11,074,359
State sources			167,088
Other grants and contributions			1,500
Other local sources			267,704
Interest and other			248,488
Total general revenues			11,759,139
Change in net position			998,279
<b>Net Position - beginning of year, as restated (see Note 2)</b>			5,001,306
<b>Net Position - end of year</b>			\$ 5,999,585

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

Balance Sheet  
Governmental Fund  
June 30, 2025

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	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,660,179
State subsidies receivable	108,899
Federal subsidies receivable	126,880
Other receivables, net	110,628
Investments	2,986,102
Prepaid expenses	194,788
	<hr/>
Total assets	<u>\$ 7,187,476</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>	
Liabilities:	
Accounts payable	\$ 332,124
Accrued expenses	1,054,353
	<hr/>
Total liabilities	<u>1,386,477</u>
Deferred inflows of resources:	
Unavailable revenues	68,254
	<hr/>
Fund balance:	
Nonspendable:	
Prepaid expenses	194,788
Committed:	
Facilities reserve	3,915,000
Assigned:	
Future budget deficits	1,622,957
	<hr/>
Total fund balance	<u>5,732,745</u>
	<hr/>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,187,476</u>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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

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<b>Total Fund Balance for Governmental Fund</b>	<b>\$ 5,732,745</b>
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 \$1,044,606 and the accumulated depreciation is \$567,053 (see Note 5).	477,553
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 \$3,462,181 and the accumulated amortization is \$953,871 (see Note 6).	2,508,310
Lease liabilities not due and payable in the current period and, therefore, are not reported in the funds (see Note 7).	(2,709,174)
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	68,254
Long-term liabilities that pertain to governmental funds, including compensated absences, 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	<u>(78,103)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 5,999,585</u></u></b>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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

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	<u>General Fund</u>
<b>Revenues:</b>	
Local educational agencies	\$ 11,074,359
Federal sources	894,089
State sources	98,834
Other grants and contributions	1,500
Other local sources	267,704
Interest and other	248,488
	<hr/>
Total revenues	12,584,974
	<hr/>
<b>Expenditures:</b>	
Instruction	4,631,638
Special education	2,866,335
Student support services	458,966
Instructional support services	22,867
Administration support	1,741,956
Pupil health	112,569
Business services	73,900
Operations and maintenance	1,113,431
Other support services	119,983
Student activities	37,131
Capital outlays	149,354
Debt service:	
Lease principal payments	207,899
Lease interest expense	120,661
	<hr/>
Total expenditures	11,656,690
	<hr/>
Net change in fund balance	928,284
<b>Fund Balance - beginning of year</b>	<hr/> 4,804,461
<b>Fund Balance - end of year</b>	<hr/> <u>\$ 5,732,745</u>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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**

\$ 928,284

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 expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

	149,354
Capital outlays	(103,872)
Depreciation expense	45,482

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

	(246,430)
Amortization expense	(246,430)

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:

	207,899
Principal payments	207,899

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.

	68,254
Current year unavailable revenue	(54,250)
Prior year unavailable revenue	14,004

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

	49,040
Change in compensated absences	49,040

**Change in Net Position of Governmental Activities**

\$ 998,279

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Mastery Charter School - Prep Elementary (the School) was formed as a Pennsylvania nonprofit corporation to operate in accordance with Pennsylvania Act 22 of 1997. On June 21, 2018, the School was granted a charter by the Commonwealth of Pennsylvania as "Mastery Charter School - Prep Elementary" in accordance with Pennsylvania Act 22 of 1997. The School successfully completed its most recent charter renewal process, and the charter agreement remains in force through June 30, 2028. During the year ended June 30, 2025, the School served approximately 557 students in grades kindergarten through fifth.

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. The 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 \$127,143 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>\$ 5,128,449</u>	<u>\$ (127,143)</u>	<u>\$ 5,001,306</u>

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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 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 – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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 are determined by Board approval. Unassigned fund balances are considered the remaining amounts.

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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 – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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 \$557,080 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 – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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, state and local subsidy programs. 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 \$30,238.

#### 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 estimated useful lives and lease terms, respectively. The following estimated useful lives and leases terms are used to compute depreciation and amortization, respectively:

<u>Description of Capital Cost</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	3 - 10 years
Leasehold improvements	Lesser of 27 years or life of lease
Right-to-use lease assets	5 - 10 years (lease terms)

#### Leases

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

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

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

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

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School is utilizing the School's estimated incremental borrowing rate (corresponding to length of lease) in place at the commencement of lease term along with other risk factors to determine the discount interest rate for leases.

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

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 as 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 the fiscal year.

#### 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.

#### 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.

### 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, \$3,448,969 of the School's bank balance was exposed to custodial credit risk as follows:

Custodial credit risk:	
Uninsured and uncollateralized amount	<u>\$ 3,448,969</u>
Reconciliation to the financial statements:	
Custodial credit risk from above	\$ 3,448,969
Plus - insured amount	255,210
Less - outstanding checks	(45,000)
Plus - petty cash	<u>1,000</u>
Total cash and cash equivalents	<u>\$ 3,660,179</u>

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

### 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.

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	\$ 1,054,811	\$ 1,054,811	\$ -
U.S. Treasuries	1,056,014	349,680	706,334
Certificates of deposit	<u>875,277</u>	<u>600,625</u>	<u>274,652</u>
	<u>\$ 2,986,102</u>	<u>\$ 2,005,116</u>	<u>\$ 980,986</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	\$ 1,054,811	\$ -	\$ -	\$ 1,054,811
Fixed income:				
U.S. Treasuries	1,056,014	-	-	1,056,014
Certificates of deposit	<u>875,277</u>	<u>-</u>	<u>-</u>	<u>875,277</u>
Total	<u>\$ 2,986,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,986,102</u>

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

Notes to the Basic Financial Statements  
June 30, 2025

**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:			
Leasehold improvements	\$ 167,881	\$ 141,273	\$ 309,154
Furniture and equipment	<u>727,371</u>	<u>8,081</u>	<u>735,452</u>
Total capital assets	<u>895,252</u>	<u>149,354</u>	<u>1,044,606</u>
Less - accumulated depreciation:			
Leasehold improvements	20,149	12,612	32,761
Furniture and equipment	<u>443,032</u>	<u>91,260</u>	<u>534,292</u>
Total accumulated depreciation	<u>463,181</u>	<u>103,872</u>	<u>567,053</u>
Total capital assets, net	<u>\$ 432,071</u>	<u>\$ 45,482</u>	<u>\$ 477,553</u>

**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	\$ 116,067	\$ -	\$ -	\$ 116,067
Building	<u>3,346,114</u>	<u>-</u>	<u>-</u>	<u>3,346,114</u>
Total right-to-use assets	3,462,181	-	-	3,462,181
Less - amortization	<u>707,441</u>	<u>246,430</u>	<u>-</u>	<u>953,871</u>
Total right-to-use lease assets, net	<u>\$ 2,754,740</u>	<u>\$ (246,430)</u>	<u>\$ -</u>	<u>\$ 2,508,310</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 \$350,302 and was charged to an unallocated function in the accompanying statement of activities.

**7. LEASES**

The School leases a building under a lease agreement through June 2036. The lease requires monthly payments of principal and interest of \$25,000. Interest expense on the leases was \$114,428 for the year ended June 30, 2025, which is included in lease interest expense in the accompanying statement of revenues, expenditures and changes in fund balance. The net present value of the lease liability was \$2,648,303 as of June 30, 2025, and was calculated using a discount rate of 4.20% (the School's estimated incremental borrowing rate as of the lease commencement date).

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 7. LEASES (Continued)

The School leases copiers under lease agreements expiring at various dates through June 2028. The leases require monthly payments of principal and interest ranging from \$860 to \$1,502. The leases do not include a renewal option. Interest expense on the leases was \$6,233 for the year ended June 30, 2025, which is included in lease interest expense in the accompanying statement of revenues, expenditures and changes in fund balance. The net present value of the lease liabilities was \$60,871 as of June 30, 2025, and was calculated using discount rates ranging from 8.67% through 8.99% (the School's estimated incremental borrowing rate as of the lease commencement date).

Total future minimum lease payments and future amortization of the related right-to-use lease assets (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	\$ 217,886	\$ 110,674	\$ 246,429
2027	228,401	100,159	246,429
2028	220,353	89,967	230,857
2029	219,456	80,544	223,074
2030 - 2034	1,246,540	253,460	1,115,371
2035 and thereafter	<u>576,538</u>	<u>23,461</u>	<u>446,148</u>
Total minimum lease payments	<u>\$ 2,709,174</u>	<u>\$ 658,265</u>	<u>\$ 2,508,310</u>

### 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 \$11,074,359 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.

## MASTERY CHARTER SCHOOL – PREP ELEMENTARY

Notes to the Basic Financial Statements  
June 30, 2025

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### 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 \$215,508.

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. 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.

### 12. 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 13). The NST management fee is 10% of the per-pupil funding received from the local school district by each school. The total fee was \$1,107,436 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 \$209,000 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.

## **MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

Notes to the Basic Financial Statements  
June 30, 2025

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### **13. 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 12):

- 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
- Mastery Charter School - Gratz Campus
- Grover Cleveland Mastery Charter School
- Francis D. Pastorius Mastery Charter School
- Mastery Charter School - John Wister Elementary
- Frederick Douglass Mastery Charter School

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

### **14. CONCENTRATIONS OF FUNDING**

The School received approximately 89% 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.

### **15. CONTINGENCIES**

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

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Local educational agencies	\$ 10,809,000	\$ 10,809,000	\$ 11,074,359	\$ 265,359
Federal sources	831,000	819,000	894,089	75,089
State sources	149,000	149,000	98,834	(50,166)
Other grants and contributions	-	-	1,500	1,500
Other local sources	-	14,000	267,704	253,704
Interest and other	178,000	354,000	248,488	(105,512)
<b>Total revenues</b>	<u>11,967,000</u>	<u>12,145,000</u>	<u>12,584,974</u>	<u>439,974</u>
<b>Expenditures:</b>				
Instruction	5,117,000	5,015,000	4,631,638	383,362
Special education	2,327,000	2,525,000	2,866,335	(341,335)
Student support services	470,000	474,000	458,966	15,034
Instructional support services	50,000	50,000	22,867	27,133
Administration support	1,481,440	1,540,440	1,741,956	(201,516)
Pupil health	120,000	120,000	112,569	7,431
Business services	-	-	73,900	(73,900)
Operations and maintenance	1,144,000	1,158,000	1,113,431	44,569
Other support services	122,000	127,000	119,983	7,017
Student activities	32,000	32,000	37,131	(5,131)
Capital outlays	-	200,000	149,354	50,646
Debt service:				
Lease principal payments	207,899	207,899	207,899	-
Lease interest expense	120,661	120,661	120,661	-
<b>Total expenditures</b>	<u>11,192,000</u>	<u>11,570,000</u>	<u>11,656,690</u>	<u>(86,690)</u>
Excess of revenues under expenditures	<u>775,000</u>	<u>575,000</u>	<u>928,284</u>	<u>353,284</u>
<b>Net change in fund balance</b>	<u>\$ 775,000</u>	<u>\$ 575,000</u>	<u>928,284</u>	<u>\$ 353,284</u>
<b>Fund Balance, July 1</b>			<u>4,804,461</u>	
<b>Fund Balance, June 30</b>			<u>\$ 5,732,745</u>	

**MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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
<b>U.S. Department of Education:</b>								
Pass-Through Pennsylvania Department of Education:								
Title I Grants to Local Educational Agencies	84.010	013 231166	7/31/23 - 9/30/24	\$ 638,394	\$ 54,250	\$ 54,250	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013 231166	7/22/24 - 9/30/25	630,281	-	630,281	630,281	-
Total AL No. 84.010					54,250	684,531	630,281	-
Supporting Effective Instruction State Grants	84.367	020 231166	7/31/23 - 9/30/24	37,855	3,451	3,451	-	-
Supporting Effective Instruction State Grants	84.367	020 231166	7/22/24 - 9/30/25	34,732	-	34,602	34,732	130
Total AL No. 84.367					3,451	38,053	34,732	130
Student Support and Academic Enrichment Program	84.424	144 231166	7/22/24 - 9/30/25	48,076	-	48,076	48,076	-
COVID-19 Education Stabilization Fund:								
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	225 211166	3/13/20 - 9/30/24	218,419	39,713	39,713	-	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	181 212565	7/1/21 - 9/30/24	6,526	4,016	4,016	-	-
Total COVID-19 Education Stabilization Fund and AL No. 84.425					43,729	43,729	-	-
Pass-Through School District of Philadelphia:								
Special Education Cluster (IDEA):								
Special Education Grants to States	84.027	N/A	7/1/23 - 6/30/24	81,718	81,718	81,718	-	-
Special Education Grants to States	84.027	N/A	7/1/24 - 6/30/25	126,750	-	-	126,750	126,750
Total Special Education Cluster (IDEA) and AL No. 84.027					81,718	81,718	126,750	126,750
Total U.S. Department of Education					183,148	896,107	839,839	126,880
<b>Total Expenditures of Federal Awards</b>					<b>\$ 183,148</b>	<b>\$ 896,107</b>	<b>\$ 839,839</b>	<b>\$ 126,880</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

## **MASTERY CHARTER SCHOOL – PREP ELEMENTARY**

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

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### **1. GENERAL INFORMATION**

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Federal financial assistance programs of Mastery Charter School - Prep Elementary (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 - Prep Elementary:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Mastery Charter School - Prep Elementary (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 - Prep Elementary:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Mastery Charter School - Prep Elementary's (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 – PREP ELEMENTARY**

Schedule of Findings and Questioned Costs  
June 30, 2025

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**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.