MARIANA BRACETTI ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Mariana Bracetti Academy Charter School
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** (a nonprofit organization), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 **MARIANA BRACETTI ACADEMY CHARTER 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 opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, as of July 1, 2022, **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** adopted new accounting guidance, Government Accounting Standards Board Statement No. 96, "*Subscription-Based Information Technology Arrangements*." Our opinion was 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 **MARIANA BRACETTI ACADEMY CHARTER 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER 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 on pages 4 – 9 and budgetary comparison information, schedule of the proportionate share of the net pension liability, schedule of employer pension contributions, schedule of the proportionate share of the net OPEB liability, schedule of employer OPEB contributions, and notes to required supplementary information on pages 53 – 62 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 opinions on the financial statements that collectively comprise **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 December 20, 2023, on our consideration of **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** internal control over financial reporting and compliance.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 20, 2023

The Board of Trustees of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** (the "School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total governmental fund revenues, as reported on the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Fund, for the year ended June 30, 2023 were $29,784,820 which consisted of $22,213,360 from local educational agency funding, $6,922,819 from federal grants, $318,744 from state funding, and $329,897 from other sources. This revenue represents an increase from the prior year of $1,875,631.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of $16,538,481. The School's ending fund balance at June 30, 2022 was $13,930,112. The increase in fund balance is a result of $2,608,369 excess of revenues over expenditures for the year ended June 30, 2023.

The School's general fund cash balance at June 30, 2023 was $8,105,805, representing a decrease from the prior year of $1,247,223. The School's general fund cash balance at June 30, 2022 was $9,353,028.

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 financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information consisting of the budgetary comparison and other information, and reports required under *Government Auditing Standards* and the Uniform Guidance.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. expenditures accrued in one year but paid in subsequent years).

Overview of the Financial Statements (continued)

Government-Wide Financial Statements (continued)

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. The School's function is to provide an alternative educational opportunity.

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 two fund types: a governmental fund (the general fund) and a proprietary fund (the food service enterprise fund).

Notes to the Financial Statements

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

Supplementary Information

The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Pension Contributions, Schedule of Proportionate Share of the Net OPEB Liability, and Schedule of Employer OPEB Contributions are required supplementary information presented for purposes of additional analysis and are prepared using a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") for state reporting requirements.

Single Audit Requirements

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles; and Audit Requirements for Federal Awards* ("Uniform Guidance").

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by $890,254 as of June 30, 2023, which is an increase in total net position of $2,250,348 from June 30, 2022. The increase in net position decreased approximately $1,300,000 from the prior year, primarily as a result of an increase in expenditures, particularly the special education instructional expenditures (approximately a $1,000,000 increase), that was greater than the increase in overall revenues.

Government-Wide Financial Analysis (continued)

Assets	2023	2022
Cash and cash equivalents	$ 8,105,805	$ 9,353,028
Federal subsidies receivable	1,272,552	727,500
State subsidies receivable	214,546	240,724
Due from local governments	349,134	391,274
Due from related parties	115,711	-0-
Prepaid expenses and other assets	443,401	92,934
Capital assets, net of accumulated depreciation	49,257,471	46,532,483
Total Assets	$ 59,758,620	$ 57,337,943
Deferred Outflows of Resources	$ 4,315,168	$ 4,634,640
Liabilities		
Accounts payable and accrued expenses	$ 451,148	$ 367,745
Salaries and benefits payable	1,960,406	1,914,837
Deferred revenue	1,091,046	337,873
Lease liabilities	41,071,448	41,697,885
Due to local governments	94,581	71,145
Special education trusts	25,413	25,700
Net OPEB liability	775,000	967,000
Net pension liability	18,806,000	16,792,000
Total Liabilities	$ 64,275,042	$ 62,174,185
Deferred Inflows of Resources	$ 689,000	$ 2,939,000
Net Position (Deficit)		
Net investment in capital assets	8,186,023	4,834,598
Board designated for capital improvements	4,416,667	4,416,667
Unrestricted	(13,492,944)	(12,391,667)
Total Net Position (Deficit)	$ (890,254)	$ (3,140,602)

The positive change in net position of $2,250,348 is a decrease of approximately $1,300,000 from the prior year, primarily as a result of an increase in expenditures, particularly the special education instructional expenditures (approximately a $1,000,000 increase), that was greater than the increase in overall revenues.

Government-Wide Financial Analysis (continued)

The School's revenues are predominately from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2023, the School's total revenues of $31,011,118 exceeded total expenditures of $28,760,770 by $2,250,348. During the year ended June 30, 2022, the School's total revenues of $29,100,605 exceeded total expenditures of $25,532,083 by $3,568,522, which included the GASB 87 restatement. The increase in revenues is due to the increase in the additional COVID-19 related federal entitlements.

	2023	2022
Revenues		
Local educational agencies	$ 22,213,360	$ 22,894,224
Federal sources	6,922,819	4,514,739
Food service	1,226,298	1,191,416
State sources	318,744	343,093
Other sources	329,897	157,133
Total revenues	31,011,118	29,100,605
Expenditures		
Instruction		
Non-special instruction programs	11,140,026	9,909,410
Special instruction programs	4,667,734	3,674,507
Other instruction programs	139,514	244,343
Support Services		
Staff support services	890,390	889,747
Instructional support services	210,945	284,074
Administrative support services	3,309,217	3,055,725
Nursing services support	243,196	151,699
Business support services	407,756	337,675
Non-instructional services	327,368	380,813
Facility services	3,964,856	3,203,720
Student activities	167,016	129,726
Community service	123,845	134,154
Interest expense	2,148,297	2,176,038
Business-Type Activities		
Food service	1,020,610	960,452
Total expenditures	28,760,770	25,532,083
Change in net position	2,250,348	3,568,522
Net position (deficit), beginning of year	(3,140,602)	(6,709,124)
Net position (deficit), end of year	$ (890,254)	$ (3,140,602)

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at fiscal year end.

In June 30, 2023, the School's governmental fund (the general fund) reported an ending fund balance of $16,538,481. For the year ended June 30, 2023, the School's revenues of $29,784,820 exceeded expenditures of $27,176,451 by $2,608,369. The subsidy revenue received from the School District of Philadelphia was $22,213,360 of total governmental fund revenue. This number includes out of district students. This represents a decrease of $680,864 from June 30, 2022. The largest asset in the School's governmental fund at June 30, 2023 was cash of $8,105,805.

Governmental Fund Budgetary Highlights

At June 30, 2023, the budgeted revenues exceeded actual revenues by $3,241, and are generally considered in line. Budgeted expenditures exceeded actual expenditures by $714,814, primarily due to budgeted expenses being slightly higher than actual for several categories, including facility services, while debt service and capital outlays are not included in the budgeted amounts.

Capital Asset and Debt Administration

At June 30, 2023, the School's net investment in capital assets for its governmental and business-type activities totaled $8,186,023, net of accumulated depreciation and amortization and lease liabilities. This investment in capital assets includes computer equipment and software, machinery and equipment, furniture and fixtures, and leasehold improvements, as well as lease right-of-use assets, including the School's building, net of the lease liability. During the year ended June 30, 2023, the School incurred $1,049,335 in additions to capital assets, $619,335 of which were incurred within its general fund. Depreciation expense and amortization of right-of-use lease assets was $543,743 and $1,780,604, respectively, for the year ended June 30, 2023.

Additional information on the School's capital assets can be found in Note 3 to the financial statements.

At June 30, 2023, there was no outstanding long-term debt for the School's governmental and business-type activities. However, lease liabilities totaled $41,071,448 at June 30, 2023.

Economic Factors and Next Year's Budget and Rates

The School's primary source of revenue, per student subsidy, is provided by the School District of Philadelphia, and will change for the fiscal year 2023-2024. The preliminary annual rate per non-special education student will be $11,521 and the annual rate per special education student will be $36,278 for the fiscal year 2023-2024. Final rates are disseminated in June/July 2024.

Future Events that will Financially Impact the School

The School anticipates continued maximum enrollment at 1,500 students. The School has received additional Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act and ARP Act COVID-19 related federal funds to provide supplemental support for academic, social, and emotional recovery and to provide a safe environment related to the effects of the COVID-19 pandemic. The funding expires in stages with the final ending in September 2024. The School monitors its dependency on these funds and anticipates preparing to either seek new funding sources for similar programs or end programs when the funds are no longer available. Except as noted, no other significant events are expected to occur that would have a material impact.

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 School's management company, Santilli and Thomson, LLC, 601 Route 73 North, Suite 302, Marlton, NJ 08053.

Component Units

Brazo de Oro Children's Foundation (the "Foundation") is a component unit of the School and is reported in a separate column in the government-wide financial statements to emphasize that the Foundation is legally separate from the School. Complete financial statements of the Foundation can be obtained at 601 Route 73 North, Suite 302, Marlton, NJ 08053.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Brazo de Oro Children's Foundation
ASSETS				
Cash and cash equivalents	$ 8,105,805	$ -0-	$ 8,105,805	$ 2,487,961
Restricted cash equivalents	-0-	-0-	-0-	3,327,580
Federal subsidies receivable	1,272,552	-0-	1,272,552	-0-
State subsidies receivable	214,546	-0-	214,546	-0-
Due from local governments	349,134	-0-	349,134	-0-
Due from related parties	115,711	-0-	115,711	-0-
Internal balances	(102,568)	102,568	-0-	-0-
Prepaid expenses and other assets	440,813	2,588	443,401	37,758
Deferred rent	-0-	-0-	-0-	1,612,814
Capital assets, net of accumulated depreciation and amortization	48,830,290	427,181	49,257,471	37,924,280
Total assets	$ 59,226,283	$ 532,337	$ 59,758,620	$ 45,390,393
DEFERRED OUTFLOWS OF RESOURCES	$ 4,315,168	$ -0-	$ 4,315,168	$ -0-
LIABILITIES				
Accounts payable and accrued expenses	$ 385,643	$ 65,505	$ 451,148	$ 1,013,707
Salaries and benefits payable	1,960,406	-0-	1,960,406	-0-
Deferred revenue	1,091,046	-0-	1,091,046	-0-
Lease liabilities	41,071,448	-0-	41,071,448	-0-
Prepaid rent	-0-	-0-	-0-	8,105,556
Due to related parties	-0-	-0-	-0-	1,593,985
Due to local governments	94,581	-0-	94,581	-0-
Special education trusts	25,413	-0-	25,413	-0-
Bonds payable, current	-0-	-0-	-0-	655,000
Bonds payable, long-term	-0-	-0-	-0-	36,224,438
Net OPEB liability	775,000	-0-	775,000	-0-
Net pension liability	18,806,000	-0-	18,806,000	-0-
Total liabilities	$ 64,209,537	$ 65,505	$ 64,275,042	$ 47,592,686
DEFERRED INFLOWS OF RESOURCES	$ 689,000	$ -0-	$ 689,000	$ -0-
NET POSITION (DEFICIT)				
Net investment in capital assets	7,758,842	427,181	8,186,023	1,044,842
Unrestricted	(9,115,928)	39,651	(9,076,277)	(3,247,135)
Total net position (deficit)	$ (1,357,086)	$ 466,832	$ (890,254)	$ (2,202,293)

The accompanying notes are an integral part of these financial statements.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenue and Change in Net Position (Deficit)			
							Component Unit
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Business-Type Activities	Total	Brazo de Oro Children's Foundation
Governmental activities							
Instruction							
Non-special instruction programs	$ 11,140,026	$ -0-	$ 6,677,810	$ (4,462,216)	$ -0-	$ (4,462,216)	$ -0-
Special instruction programs	4,667,734	-0-	349,134	(4,318,600)	-0-	(4,318,600)	-0-
Other instruction programs	139,514	-0-	-0-	(139,514)	-0-	(139,514)	-0-
Support Services							
Staff support services	890,390	-0-	-0-	(890,390)	-0-	(890,390)	-0-
Instructional support services	210,945	-0-	-0-	(210,945)	-0-	(210,945)	-0-
Administrative support services	3,309,217	-0-	-0-	(3,309,217)	-0-	(3,309,217)	-0-
Nursing services support	243,196	-0-	73	(243,123)	-0-	(243,123)	-0-
Business support services	407,756	-0-	-0-	(407,756)	-0-	(407,756)	-0-
Non-instructional services	327,368	-0-	-0-	(327,368)	-0-	(327,368)	-0-
Facility services	3,964,856	-0-	214,546	(3,750,310)	-0-	(3,750,310)	-0-
Operation of Non-Instructional Services							
Student activities	167,016	-0-	-0-	(167,016)	-0-	(167,016)	-0-
Community service	123,845	-0-	-0-	(123,845)	-0-	(123,845)	-0-
Interest expense	2,148,297	-0-	-0-	(2,148,297)	-0-	(2,148,297)	-0-
Total governmental activities	$ 27,740,160	$ -0-	$ 7,241,563	$ (20,498,597)	$ -0-	$ (20,498,597)	$ -0-
Business-type activites							
Food service	1,020,610	-0-	1,226,298	-0-	205,688	205,688	-0-
Total primary government activities	$ 28,760,770	$ -0-	$ 8,467,861	$ (20,498,597)	$ 205,688	$ (20,292,909)	$ -0-
Component Unit							
Brazo de Oro Children's Foundation	$ 3,487,245	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ (3,487,245)
General revenues							
Local educational agencies				22,213,360	-0-	22,213,360	-0-
Rental income				-0-	-0-	-0-	3,208,917
All other revenue				329,897	-0-	329,897	231,658
Total general revenues				22,543,257	-0-	22,543,257	3,440,575
Change in net position				2,044,660	205,688	2,250,348	(46,670)
Net position (deficit), beginning of year				(3,401,746)	261,144	(3,140,602)	(2,155,623)
Net position (deficit), end of year				$ (1,357,086)	$ 466,832	$ (890,254)	$ (2,202,293)

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023

		General Fund
ASSETS		
Cash and cash equivalents	$	8,105,805
Federal subsidies receivable		1,272,552
State subsidies receivable		214,546
Due from local governments		349,134
Due from related parties		1,709,732
Prepaid expenses and other assets		8,546,369
Total assets	$	20,198,138
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses	$	385,643
Salaries and benefits payable		1,960,406
Deferred revenue		1,091,046
Due to local governments		94,581
Due to other fund		102,568
Special education trusts		25,413
Total liabilities		3,659,657
Fund balance		
Nonspendable		10,256,101
Committed		1,577,430
Unassigned		4,704,950
Total fund balance		16,538,481
Total liabilities and fund balance	$	20,198,138

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance for governmental fund	$	16,538,481
Capital assets and related lease liabilities used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. These assets and liabilities consist of:		
Computer equipment and software, machinery and equipment, furniture and fixtures, leasehold improvements, vehicles, and lease right-of-use assets, net of accumulated depreciation and amortization		48,830,290
Lease liabilities		(41,071,448)
Prepaid rent, net of amortization, is recognized under the consumption method in governmental funds. In the Statement of Net Position, however, prepaid rent is capitalized as part of the capital asset adjustment above.		
Prepaid rent		(9,699,577)
Deferred outflows of resources are not financial resources and therefore, are not reported in governmental funds.		
Deferred outflows		4,315,168
Long-term liabilities and deferred inflows of resources are not due and payable in the current period and therefore, are not reported in governmental funds.		
Net OPEB liability		(775,000)
Net pension liability		(18,806,000)
Deferred inflows of resources		(689,000)
Total net position of governmental activities	$	(1,357,086)

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
Revenues	
Local educational agencies	$ 22,213,360
Federal sources	6,922,819
State sources	318,744
Other sources	329,897
Total revenues	29,784,820
Expenditures	
Instruction	
Non-special instruction programs	10,730,165
Special instruction programs	4,689,856
Other instruction programs	140,286
Staff support services	896,577
Instructional support services	211,723
Administrative support services	3,334,532
Nursing services support	243,196
Business support services	409,234
Non-instructional services	327,680
Facility services	2,507,710
Student activities	167,402
Community service	124,021
Interest expense	2,148,297
Redemption of principal	626,437
Capital outlays	619,335
Total expenditures	27,176,451
Changes in fund balance	2,608,369
Fund balance, beginning of year	13,930,112
Fund balance, end of year	$ 16,538,481

The accompanying notes are an integral part of these financial statements.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Changes in fund balance - total governmental fund		$	2,608,369
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets, including lease assets, are capitalized, and the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays differed from depreciation and amortization in the current period.			
Capital outlays	619,335		
Depreciation expense on capital assets	(533,200)		
Amortization expense on lease right-of-use assets	(1,780,604)		
			(1,694,469)
Governmental funds report lease liabilities as financing sources, while the repayment of the lease liabilities is reported as an expenditure. In the Statement of Net Position, however, the lease liabilities increase long-term liabilities and do not affect the Statement of Activities and payment of obligations reduce the liabilities. Within governmental funds, prepaid rent is recognized under the consumption method and amortized using the straight-line method. In the Statement of Net Position, however, prepaid rent is capitalized as part of the capital asset adjustment above. The net effect of these differences in the treatment of lease liabilities and prepaid rent amortization is as follows:			
Principal repayment on lease liabilities	626,437		
Amortization of prepaid rent	395,795		
			1,022,232
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.			
OPEB benefit			17,578
Pension benefit			90,950
Change in net position of governmental activities		$	2,044,660

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

	Enterprise Fund
	Food Service Fund
ASSETS	
Current assets	
Due from other fund	$ 102,568
Prepaid expenses and other assets	2,588
Total current assets	105,156
Capital assets	
Leasehold improvements	3,616
Machinery and equipment	686,542
Furniture and fixtures	4,792
Less: accumulated depreciation	(267,769)
Total capital assets, net	427,181
Total assets	$ 532,337
LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable and accrued expenses	$ 65,505
Total liabilities	65,505
Net Position	
Net investment in capital assets	427,181
Unrestricted	39,651
Total net position	466,832
Total liabilities and net position	$ 532,337

The accompanying notes are an integral part of these financial statements.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund
	Food Service Fund
Operating expenses	
Food service costs	$ 776,055
Operational	234,012
Depreciation	10,543
Total operating expenses	1,020,610
Operating loss	(1,020,610)
Non-operating revenues	
Federal sources	1,191,476
State sources	34,822
Total non-operating revenues	1,226,298
Change in net position	205,688
Net position, beginning of year	261,144
Net position, end of year	$ 466,832

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund
	Food Service Fund
Cash flows from operating activities	
Cash paid to	
Payments to suppliers	$ (756,304)
Payments to employees	(149,227)
Net cash used in operating activities	(905,531)
Cash flows from financing activities	
Cash flows from non-capital financing activities	
Federal sources	1,150,229
State sources	35,929
Internal balances	149,373
Net cash provided by non-capital financing activities	1,335,531
Cash flows from capital financing activities	
Purchase of capital assets	(430,000)
Net cash used in capital financing activities	(430,000)
Net cash provided by financing activities	905,531
Cash flows from investing activities	-0-
Net increase in cash	-0-
Cash and cash equivalents, beginning of year	-0-
Cash and cash equivalents, end of year	$ -0-
Reconciliation of operating loss to net cash used in operating activities	
Operating activities	
Operating loss	$ (1,020,610)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	10,543
Commodities expense	76,212
Change in operating assets and liabilities	
Prepaid expenses and other assets	(2,463)
Accounts payable	30,787
Net cash used in operating activities	$ (905,531)

Noncash transactions:

The School received commodities in the amount of $76,212 in the year ended June 30, 2023

Note 1 – Nature of Entity and Summary of Significant Accounting Policies

Nature of Entity

Mariana Bracetti Academy Charter School (the "School") is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997. The School is currently operating under a charter school contract through June 30, 2024, which may be renewed for additional terms. The School is located in Philadelphia, Pennsylvania. During the 2022-2023 school year, the School served students in grades K through 12.

As its mission, the School believes that all students draw upon their passion, motivation, and life experience to become independent, adaptive problem solvers, powerful thinkers, effective communicators, and meaningful contributors to the larger community and that the school community is committed to leveraging every resource to ensure all students are prepared for college and career success.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School. The School is not a component unit of another reporting entity. The decision to include a potential component unit in the School's reporting entity is based on several criteria, including legal standing, dependency, and financial accountability. As described below, the School has identified Brazo de Oro Children's Foundation ("the Foundation") as a component unit.

Component Unit

The Foundation is a legally separate, tax-exempt component unit of the School. The Foundation was organized to acquire and construct the School's facilities. Although the School does not control the timing or amounts of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds is restricted to the activities of the School. Because these restricted resources held by the Foundation can only be used by or for the benefit of the School, the Foundation is considered a component unit of the School and is discretely presented in the School's financial statements. See Note 14 to the financial statements for further discussion.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

The School's component unit, the Foundation, is accounted for under GAAP, as applied to not-for-profit entities and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. GAAP for not-for-profit entities is promulgated by the Financial Accounting Standards Board ("FASB"). See Note 14 to the financial statements for further discussion.

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report on all of the activities of the School as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given segment are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include federal contracts for specified instruction related services. State and local educational agency contract revenues and other items not included among program revenues are reported instead as general revenues. These statements include the financial activities of the primary government; any fiduciary funds are excluded.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Separate fund financial statements are prepared for the governmental fund and proprietary fund. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability rather than as an expenditure.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating grants, capital grants, contributions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the School receives cash.

Under current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spending resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)</u>

Fund Financial Statements (continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets, including lease right-of-use assets, are recorded as expenditures in the year the resources were expended rather than as fund assets. The proceeds of long-term debt, including lease liabilities, are recorded as an other financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The School 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School's proprietary fund are charges to students for sales of food. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The School reports the following major proprietary fund:

Food Service Fund – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods and services, and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category. This category also includes lease right-of-use assets, which are included in capital assets, and the related lease liabilities.

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)</u>

Net Position/Fund Balances (continued)

- Restricted – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net position.

- Unrestricted – This category represents the net position of the School that is not restricted for any project or other purpose. Of the total unrestricted net position, $4,416,667 has been designated by the Board for capital improvement projects.

The governmental financial statements segregate portions of fund balance that are either not available or have been earmarked for specific purposes. Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable – This classification includes amounts that cannot be spent either because they are in a nonspendable form, such as inventories or prepaid expenses, or they are legally or contractually required to be maintained intact. At June 30, 2023, the School had $10,256,101 of nonspendable fund balances from prepaid expenditures, including rent, and professional retainers as well as related party balances.

- Restricted – This classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The School presently has no restricted fund balance.

- Committed – This classification includes amounts that can be used only for the specific purposes determined by a resolution of the School's Board of Trustees. The School currently has amounts committed for a capital repair and replacement fund in the amount of $577,430 and future debt service bonds in the amount of $1,000,000.

- Assigned – This classification includes amounts that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. It is the School's policy that the Board of Trustees is authorized to assign amounts to specific purposes.

- Unassigned – This classification includes all spendable amounts not contained in other classifications.

When both restricted or unrestricted fund balances are available, it is the policy of the School to use restricted resources first; followed by committed and then assigned resources as they are needed for the included program, but they reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP. 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; therefore, the original and final budget were filed and accepted by the Labor, Education, and Community Services Comptroller's Office. The budget is required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The School's cash and cash equivalents is considered to be cash on hand and demand deposits. For purposes of the Statement of Cash Flows – Proprietary Fund, the School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables consist of subsidies from federal, state, and local authorities under various programs and grants. Receivables are stated at the amount management expects to collect for outstanding balances. At June 30, 2023, no allowance for doubtful accounts was deemed necessary.

Prepaid Expenses

Prepaid expenses at June 30, 2023 include payments to vendors for services applicable to future accounting periods such as prepayments of professional retainers and insurance premiums.

Capital Assets

Capital assets, which include computer equipment and software, machinery and equipment, furniture and fixtures, and leasehold improvements, as well as lease right-of-use assets, 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 maintains a threshold level of $2,500 or more for capitalizing assets. 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 charged to expense as incurred. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets; computer equipment and software (3 to 5 years); machinery and equipment (5 years); and furniture and fixtures (5 to 7 years). Leasehold improvements are depreciated over the lesser of the estimated useful life or remaining lease term (typically, 20 to 39 years). Lease right-of-use assets are amortized over the remaining lease term (30 years).

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

Special Education Trusts

Liabilities of special education trusts represent amounts set aside for third party compensatory education trust funds for several special education students. The School has set aside funds in the amount of $25,413, at June 30, 2023, which are included in the cash balance on the accompanying Statement of Net Position and Balance Sheet – Governmental Fund.

Deferred Outflows of Resources

Decreases in net assets that relate to future periods are recorded as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. Deferred outflows of resources are generally reported in the School's Statement of Net Position for contributions made subsequent to the measurement date.

Deferred Inflows of Resources

Increases in net assets that apply to future periods are recorded as deferred inflows of resources in a separate section of its government-wide Statement of Net Position. Deferred inflows of resources are reported in the School's Statement of Net Position for actual pension plan and other postemployment benefits plan ("OPEB") investment earnings in excess of projected amounts included in determining pension and OPEB expense. Deferred inflows of resources are attributed to pension and OPEB expense over a total of 5 years, including the current year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense or benefit, 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 or benefit, information about the fiduciary net position of 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.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code ("IRC" or the "Code"). Accordingly, no provision for income taxes has been made in the accompanying financial statements. For the year ended June 30, 2023, the School had no

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

unrelated business income. The School has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The School's Federal Exempt Organization Income Tax Returns (Form 990) for 2022, 2021, and 2020, are subject to examination by the Internal Revenue Service ("IRS"), generally for up to three years after filed.

Operating and Nonoperating Revenues of Proprietary Funds

Proprietary fund operating revenues, such as charges for services and grants and contributions, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, reimbursements, and investment earnings, result from nonexchange transactions or ancillary activities.

Accounting Pronouncements Not Yet Adopted

Accounting Changes and Error Corrections

In June 2022, the GASB issued Statement No. 100, "Accounting Changes and Error Corrections." This Statement serves as an amendment of GASB Statement No. 62 and its primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The standard clarifies the definitions of accounting changes and error corrections and prescribes the accounting and financial reporting for such adjustments. The requirements of the standard are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 with earlier adoption permitted. The School will evaluate the effect of future accounting changes, which would include adoption of new pronouncements, and error corrections upon adoption of this Statement.

Compensated Absences

In June 2022, the GASB issued Statement No. 101, "Compensated Absences." Under the new standard, the recognition and measurement for compensated absences better addresses new types of leave and unifies the accounting under one conceptual framework as it replaces the previous GASB Statement No. 16. The Statement provides guidance on how governmental entities should recognize, measure, and disclose liabilities and obligations related to compensated absences, such as vacation leave, sick leave, and other similar benefits. This Statement is effective for fiscal years beginning after December 15, 2023 with earlier adoption permitted. The School is currently evaluating the effect of this standard on the financial statements.

Note 1 – Nature of Entity and Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncement

Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements." This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements ("SBITA") for government end users ("governments"). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. The standard is effective for fiscal years beginning after June 15, 2022.

The School adopted the provisions of GASB Statement no. 96 on the required effective date of July 1, 2022, however, adoption of the standard did not have a material effect on the financial statements as the School does not currently have any material long-term SBITAs.

Note 2 – Deposit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty, the School will not be able to recover the value of its deposits or collateral securities that are in possession of an outside party. The School does not have a policy for custodial credit risk. At June 30, 2023, the School's bank balances were not exposed to custodial credit risk as shown in the following table:

Reconciliation to the Financial Statements

	Governmental Activities
Collateralized pursuant to PA Act 72	$ 7,995,359
Plus: insured amount	250,000
Less: outstanding checks	(139,554)
Total cash per financial statements	$ 8,105,805

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation's ("FDIC") limit of $250,000 per depositor, with financial institutions. Under Pennsylvania Act 72 (the "Act"), financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School's accounts are covered by the Act.

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

Governmental activities

Capital Assets

	Beginning	Additions	Ending
Computer equipment and software	$ 2,337,062	$ 334,240	$ 2,671,302
Machinery and equipment	395,019	-0-	395,019
Furniture and fixtures	818,788	145,244	964,032
Leasehold improvements	817,375	139,851	957,226
	4,368,244	619,335	4,987,579
Accumulated depreciation	(2,713,514)	(533,200)	(3,246,714)
Total capital assets	$ 1,654,730	$ 86,135	$ 1,740,865

Lease Right-of-Use Assets

	Beginning	Additions	Ending
Buildings	$ 48,304,747	$ 4,000,000	$ 52,304,747
Accumulated amortization	(3,434,718)	(1,780,604)	(5,215,322)
Total lease right-of-use assets	$ 44,870,029	$ 2,219,396	$ 47,089,425
Total Governmental Activities	$ 46,524,759	$ 2,305,531	$ 48,830,290

Business-Type Activities

	Beginning	Additions	Ending
Machinery and equipment	$ 256,542	$ 430,000	$ 686,542
Furniture and fixtures	4,792	-0-	4,792
Leasehold improvements	3,616	-0-	3,616
	264,950	430,000	694,950
Accumulated depreciation	(257,226)	(10,543)	(267,769)
Total Business-Type activities	$ 7,724	$ 419,457	$ 427,181

Depreciation expense for the year ended June 30, 2023 was $543,743, and is included with governmental activities and business-type activities on the Statement of Activities. Amortization expense related to the lease right-of-use assets for the year ended June 30, 2023 was $1,780,604, and is included in facility services on the Statement of Activities.

Note 4 – Local Educational Agency 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, Pennsylvania. For the year ended June 30, 2023, the rate for the School District of Philadelphia was $9,442 per year for non-special education students and $31,651 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. For the year ended June 30, 2023, total revenue from local educational agencies was $22,213,360 including $10,525,226 for non-special education students and $11,688,134 for special education students.

Note 5 – 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 are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired.

In the opinion of the School, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 6 – Related Party Transactions

Facility Leasing Arrangements

Effective July 1, 2020, the School has a non-cancelable lease agreement with the Foundation for the rental of its facilities that expires on June 30, 2050.

Under GASB Statement No. 87, this lease is accounted for as a financing-type lease. The lease asset and lease liability are recognized based on the present value of the fixed and in-substance fixed lease payments over the lease term at the commencement date. The lease asset also includes any initial direct costs, lease payments made at or before the commencement date, and additional prepayments of lease amounts, and are reduced by lease incentives. The lease does not contain a specific renewal option and any renewal option will be addressed at the expiration of the lease and considered a new agreement. The lease also does not contain a termination option, where the rights to terminate are held by either the lessee, the lessor, or both parties. Generally, options to renew or terminate a lease are included in the lease term when it is reasonably certain that the School will exercise the option. The School uses the incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases, as the leases do not have readily determinable implicit discount rates. The incremental borrowing rate used by the School is equivalent to the interest rate on the revenue bonds borrowed by the Foundation, for which the lease payments are designed to repay. The debt obligation incurred by the Foundation is described in Note 14 to the financial statements; the School entered into a lease agreement with the Foundation as a means to transfer funds sufficient to service this debt.

Note 6 – Related Party Transactions (continued)

Facility Leasing Arrangements (continued)

The initial present value of the lease liability, upon inception of the lease agreement, was $42,679,768. During the year ended June 30, 2023, reduction in the lease liability was $626,437 and imputed interest, presented as interest expense on the accompanying Statement of Activities was $2,148,297. The balance of the lease liability at June 30, 2023 was $41,071,448. At June 30, 2023, the weighted-average remaining lease term was 324 months or 27 years and the weighted-average discount rate used was 5.152%.

The following is a schedule of future minimum lease payments under the operating leases at June 30, 2023:

Years ending June 30:	Principal	Interest	Total
2024 (current)	$ 660,011	$ 2,116,023	$ 2,776,034
2025	693,731	2,082,019	2,775,750
2026	730,104	2,046,277	2,776,381
2027	769,144	2,008,662	2,777,806
2028	808,368	1,969,035	2,777,403
2029 – 2033	4,704,981	9,176,335	13,881,316
2034 – 2038	6,050,498	7,832,690	13,883,188
2039 – 2043	7,773,882	6,105,372	13,879,253
2044 – 2048	9,981,182	3,886,977	13,868,159
2049 – 2050	8,889,547	797,717	9,697,264
Total	$ 41,071,448	$ 38,021,107	$ 79,092,555

The School's lease asset is composed of the initial present value of the lease liabilities ($42,679,768) and several prepaid rent items. Prior to July 1, 2021, the School prepaid rent to the Foundation in the amounts of $96,650, $2,163,822, and $3,000,000. In addition, a deferred rent item in the amount of $1,135,493 is included which results from deferred amounts under the prior lease agreement that are amortized over the term of the current agreement. During the years ended June 30, 2023 and 2022, the School made prepaid rent payments to the Foundation in the amounts of $4,000,000 and $1,500,000, respectively. Lease assets are amortized on the straight-line basis over the term of the lease or the useful lives of related improvements. Amortization expense for the lease assets during the year ended June 30, 2023 was $1,780,604 and is included in facility services in the accompanying Statement of Activities. Accumulated amortization at June 30, 2023 was $5,215,322.

Generally, the lease agreement does not contain any significant residual value guaranteed or material restrictive covenants. Also, there were no subleases during the year ended June 30, 2023 and no leases that have not yet commenced, which would create significant rights and obligations.

Note 7 – Management Fee

Santilli & Thomson, LLC provides management services for the School under a management agreement that expired June 30, 2023 and is in the process of being renewed. Total fees incurred under the management agreement for the year ended June 30, 2023 were $154,202 and are included in business services expenses on the accompanying Statement of Activities.

Note 8 – Retirement Plans

General information about the Public School Employees' Retirement System

Plan description

The School contributes to the Public School Employees' Retirement System (the "System" or "PSERS"), a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania.

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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 35 years of credited service.

Note 8 – Retirement Plans (continued)

General information about the Public School Employees' Retirement System (continued)

Benefits provided (continued)

Benefits are generally between 1% to 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

Contributions

Member Contributions

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

Member 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 July 1, 2021: 7.50%, After July 1, 2021: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to July 1, 2021: 10.30%, After July 1, 2021: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to July 1, 2021: 8.25%, After July 1, 2021: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to July 1, 2021: 7.50%, After July 1, 2021: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Note 8 – Retirement Plans (continued)

General information about the Public School Employees' Retirement System (continued)

Contributions (continued)

Member Contributions (continued)

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%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, there is a defined contribution rate of 0.20% of covered payroll that is an estimated rate. PSERS recommends that employees use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan. Contributions to the pension plan from the School were $2,095,366 for the year ended June 30, 2023.

Note 9 – Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The components of the total net pension liability of the participating employers at the June 30, 2022 measurement date were as follows:

Total pension liability	$ 114,986,964,000
Plan fiduciary net position	(70,528,242,000)
Employer net pension liability	$ 44,458,722,000
Plan fiduciary net position as a percentage of the total pension liability	61.34%

At June 30, 2023, the School reported a liability of $18,806,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of the June 30, 2021 measurement date to June 30, 2022. The School's proportionate share of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School's proportion was 0.0423%, which was an increase of 0.000014 from its proportion measured as of June 30, 2022 of 0.0409%.

Note 9 – Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2023, the School recognized pension expense of $2,004,416. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,000	$ 163,000
Changes in assumptions	562,000	-0-
Net difference between projected and actual investment earnings	-0-	319,000
Changes in proportion	1,422,000	-0-
Contributions subsequent to the measurement date	2,095,366	-0-
Total	$ 4,088,366	$ 482,000

$2,095,366 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2024	$ 756,000
2025	637,000
2026	(329,000)
2027	447,000
	$ 1,511,000

Actuarial Assumptions

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

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.75%.
- 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' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.

Note 9 – Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions (continued)

- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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 real 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 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. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

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

Note 9 – Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection 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 at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	$24,324,000	$18,806,000	$14,153,000

Pension Plan Fiduciary Net Position

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

PSERS Defined Contribution Plan

On June 12, 2017, the Commonwealth of Pennsylvania enacted Act 5 of 2017, which established a hybrid defined benefit/defined contribution retirement benefit applicable to all school employees that become new members of PSERS beginning on July 1, 2019. In addition to the below mentioned alternative 403(b) plan option, this PSERS option allows for three additional plan design options. The School's employer contribution rate for fiscal year ended June 30, 2023 was 0.20% of covered payroll. Employee and employer contributions for the year ended June 30, 2023 were nominal.

403(b) Plan

The School maintains a savings incentive 403(b) plan, known as the PSERS Alternative Plan (the "Plan"), which is available to all eligible employees. For employees who elect to participate, voluntary salary deferrals can be made up to the maximum permitted by law. The School makes a contribution for certain employees enrolled into the plan at a rate of 5% of the employees' eligible salaries. The School's expense to the Plan for the year ended June 30, 2023 was $288,580.

Note 10 – Other Postemployment Benefits Plan

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 benefits 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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 the June 30, 2022 measurement date, there were no assumed future benefit increased 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 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions

Pension Plan Description

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

Benefits Provided

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.

Note 10 – Other Postemployment Benefits Plan (continued)

General Information about the Health Insurance Premium Assistance Program (continued)

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were $45,802 for the year ended June 30, 2023.

Note 11 – OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The components of the total net OPEB liability of the participating employers at the June 30, 2022 measurement date, were as follows:

Total OPEB liability	$ 1,976,247,000
Plan fiduciary net position	(135,476,000)
Employer net OPEB liability	$ 1,840,771,000
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%

At June 30, 2023, the School reported a liability of $775,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of the June 30, 2021 measurement date to June 30, 2022. The School's proportionate share of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's proportion was 0.0421%, which was an increase of 0.000013 from its proportion measured at June 30, 2022 of 0.0408%.

For the year ended June 30, 2023, the School recognized an OPEB expense of $28,224. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,000	$ 4,000
Changes in assumptions	86,000	183,000
Net differences between projected and actual investment earnings	2,000	-0-
Changes in proportion	86,000	20,000
Contributions subsequent to the measurement date	45,802	-0-
Total	$ 226,802	$ 207,000

Note 11 – OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

$45,802 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,

2024	$	(14,000)
2025		(3,000)
2026		1,000
2027		(2,000)
2028		(8,000)
	$	(26,000)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment Return – 4.09% - 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' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate Pre age 65 at 50%
    - Eligible retirees will elect to participate Post age 65 at 70%

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

Note 11 – OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Actuarial Assumptions (continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation at June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefitting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments

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 in regard to the allocation of invested plan assets is established and may be amended by the 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. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

OPEB Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100%	0.5%
	100%	

Discount Rate

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

Note 11 – OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Sensitivity of the School's proportionate share of the net OPEB liability to change in Healthcare Cost Trend Rates

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

The following presents the School's net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the School's net OPEB liability would be if Healthcare cost trends were 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$775,000	$775,000	$775,000

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
Net OPEB liability	$876,000	$775,000	$690,000

OPEB Plan Fiduciary Net Position

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

Note 12 – 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.

The School is, from time to time, involved in claims and lawsuits incidental to its operations. At this time, in the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

Note 13 – Contingencies

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

Note 14 – Component Unit (Brazo de Oro Children's Foundation)

NATURE OF ACTIVITIES

Brazo De Oro Children's Foundation (the "Foundation") operates as a nonprofit corporation established under the laws of the Commonwealth of Pennsylvania. The Foundation is considered to be a component unit of Mariana Bracetti Academy Charter School (the "School"), an exempt organization under Section 501(c)(3) of the IRC, that operates a public charter school for children in grades kindergarten through 12. As a component unit, the Foundation, although a legally separate entity, is in substance part of the School's operations. The Foundation was organized to provide one or more public educational school facilities, including land, buildings and improvements, and other property and equipment for the benefit of the School.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The financial statements of the Foundation have been prepared using the accrual basis of accounting, which reflects all significant receivables, payables, and other liabilities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of the FASB Accounting Standards Codification ("ASC") Subtopic 958-205, *Financial Statements of Not-for-Profit Organizations*.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Under FASB ASC Subtopic 958-205, to ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, its net assets and revenues have been reported according to the following classifications:

> Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. At June 30, 2023, there were no net assets with donor restrictions.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Cash, Cash Equivalents, and Restricted Cash Equivalents

The Foundation considers all demand deposits at financial institutions and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted cash equivalents on the Statement of Net Position include restricted government obligation money market funds held with a restriction that limits usage pursuant to the bond issuance agreement.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets. The estimated useful lives of assets for financial reporting purposes are 30 years. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. At June 30, 2023, $14,591,742 of construction work on the gymnasium and dining hall project is presented within property and equipment, has not been placed in service, and is classified as construction in progress.

Long-lived Assets

The Foundation reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the year ended June 30, 2023.

Bond Issuance Costs

Bond issuance costs incurred by the Foundation in connection with issuance of revenue bonds, discussed in the *BONDS PAYABLE* Note below, are amortized over the 30 year life of the bonds using the straight line method. The unamortized balance is reported as a direct reduction of the obligation to which such costs relate.

During the year ended June 30, 2021, the Foundation refinanced its bonds payable and as part of the transaction, incurred $496,292 of bond issuance costs. Bond issuance costs in the net amount of $281,352 incurred as part of previous bonds payable agreement that was refinanced and previously amortized over the life of that agreement, were reclassified to a deferred loss on bond refund amount that offsets the total amount of the bonds payable and is amortized over the 30 year life of the bonds.

Amortization of bond issuance costs, included in interest expense, for the year ended June 30, 2023, was $16,543. Accumulated amortization of bond issuance costs at June 30, 2023 was $49,629.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis (see *STATEMENT OF FUNCTIONAL EXPENSES* Note below). Accordingly, certain costs have been allocated among the programs and support services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the IRC, and classified by the IRS as other than a private foundation. The Commonwealth of Pennsylvania also recognizes the Foundation as tax-exempt. The Foundation follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Foundation believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's Federal Exempt Organization Business Income Tax returns (Form 990) for 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Recently Adopted Accounting Pronouncement

Leases

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases (ASC Topic 842)," which increases lease transparency and comparability among organizations and codifies the lease guidance under ASC Topic 842. Under the new standard, lessees are required to recognize a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. Lessor adoption of the new standard is expected to have significantly less impact and is mainly centered around contract definition and disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

The Foundation adopted the new leasing standard on the required effective date of July 1, 2022, using the alternative transition method. Under the alternative transition method, the requirement to restate prior period financial statements is eliminated and the cumulative effect of the retrospective allocation is recorded as an adjustment to the opening balance of net assets without donor restrictions at the date of adoption. Results for reporting periods beginning on July 1, 2022 are presented under ASC Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the historical accounting treatment under ASC Topic 840, "Leases (ASC Topic 840)."

The Foundation elected to apply the package of practical expedients permitted under the ASC Topic 842 transition guidance. Accordingly, the Foundation did not reassess whether any expired or expiring contracts contain leases, lease classification between finance and operating leases, and the recognition of initial direct costs of leases commencing before the effective date. The Foundation

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncement (continued)

Leases (continued)

also applied the practical expedient to not separate lease and non-lease components to existing leases, as well as new leases through transition. However, the Foundation did not elect the hindsight practical expedient to determine the lease term for existing leases. As a result of the Foundation's adoption procedures, since the Foundation is a lessor with one operating lease contract, the Foundation has determined that the new guidance did not have a material impact on the Statement of Financial Position as of June 30, 2023, or the Statement of Activities and the Statement of Cash Flows for the year then ended. The effects of the transition to ASC Topic 842 resulted in no cumulative adjustment to net assets without donor restrictions in the period of adoption.

CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per depositor. At June 30, 2023, the Foundation had $2,237,961 in excess of FDIC insured limits. Restricted cash equivalent amounts are invested in government obligation money market funds and are not insured nor guaranteed by the FDIC. The Foundation has not experienced any losses in these accounts.

RESTRICTED CASH EQUIVALENTS

The Foundation maintains various escrow deposit accounts required pursuant to the bond issuance agreement. Amounts maintained in the accounts include highly liquid investments in government obligation money market accounts with an initial maturity of three months or less at a financial institution. These restricted balances are limited in use and are reported as restricted cash equivalents because the Foundation holds those funds for the specific purposes as discussed below.

Revenue Funds

The Revenue Fund escrow was set up to directly receive the portion of the School's monthly lease payments, paid by the School through the School District of Philadelphia, which are used to fund the escrow accounts pursuant to the bond settlement agreement. The receipts are transferred from this account to the other funds as detailed under each respective fund's description. At June 30, 2023, there were no amounts held in this escrow account.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

RESTRICTED CASH EQUIVALENTS (CONTINUED)

Bond Principal and Bond Interest Funds

The Bond Principal Fund and Bond Interest Fund (collectively, the "Debt Service Fund") Escrows are used for the payment of the principal and premium, if any, and interest on the bonds as due. The funds were established for the sole purpose of payments of interest and principal on the bonds. Also, retained in these funds are the interest or other income received on investment of monies in the funds. Any additional funds needed will first be drawn from the Debt Service Reserve Fund and paid in the order of maturity, interest due first including interest on overdue principal, and then principal. Amounts remaining in the fund after all requirements are met will be paid to the borrower upon expiration of the agreement.

Debt Service Reserve Fund

The Debt Service Reserve Fund escrow account was funded from the Series 2020A and Series 2020B Bonds and is to be used in the event that the monies in the Debt Service Fund are insufficient to make the necessary principal and interest bond payments on the Series 2020 Bonds. Investment obligations within the Debt Service Reserve Fund are valued semi-annually in June and December based on their market value. If the value of the Debt Service Reserve Fund is greater than the Debt Service Reserve Fund Requirement (the lesser of either 10% of the sale proceeds of any additional Bonds, 125% of the average annual debt service on any additional Bonds, or the maximum annual debt service on any additional bonds), such excess is to be transferred to the Bond Interest Fund and applied to the payment of interest on the Series 2020A and Series 2020B Bonds. If the value of the Debt Service Reserve Fund is less than the minimum requirement as determined by the trustee, the escrow trustee will notify the Foundation of its obligation to fund the deficiency.

Project Fund

The Project Fund escrow account was funded from the Series 2020A and Series 2020B Bonds and is to be used for specific requisition requests that are approved by the Philadelphia Authority for Industrial Development for the School's Gymnasium Project. During the year ended June 30, 2023, the Foundation, with approval of the Philadelphia Authority for Industrial Development, withdrew approximately $4,169,000 from the escrow account to fund various improvements on the building owned by the Foundation and used by the School.

Repair and Replacement Fund

One Repair and Replacement Fund Escrow account is required for the Series 2020A and Series 2020B Bonds. The Foundation is required to deposit $5,000 monthly into this fund commencing in July 2023 until such time that the Repair and Replacement Fund requirement of $300,000 has been satisfied for the fund. The funds in this escrow are to be used in association with costs of improvements to the School facility, repairs, or replacement parts of the school facility, and to purchase equipment needed for the School.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

RESTRICTED CASH EQUIVALENTS (continued)

Rebate Fund

Amounts on deposit in the Rebate Fund under the agreement will be applied to make rebate payments, if necessary, to the United States government, and are not available to make payments on the debt service for the Series 2020A and Series 2020B Bonds. At June 30, 2023, there were no amounts held in this escrow account.

A summary of the principal escrow accounts held by the Foundation, comprised of money market accounts, at June 30, 2023 is as follows:

Bond Principal Fund	$ 331,145
Bond Interest Fund	94,590
Debt Service Reserve Fund	2,780,143
Project Fund	991
Repair and Replacement Fund	5,000
Revenue Fund	115,711
	$ 3,327,580

AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2023:

Financial assets at year end:	
Cash and cash equivalents	$ 2,487,961
Restricted cash equivalents	3,327,580
	5,815,541
Net assets with donor restrictions	-0-
Less restricted cash equivalents not available to meet general expenditures	(3,327,580)
Financial assets available to meet general expenditures over the next twelve months	$ 2,487,961

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation typically maintains its financial assets in cash accounts or short-term investments, such as money market accounts, with a goal of having funds available when needed. The Foundation is obligated per the bond agreement, to maintain funds in the restricted cash equivalent accounts and

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

AVAILABILITY AND LIQUIDITY (continued)

while these are liquid money market accounts, the Foundation is only able to use these funds for specified purposes. See *RESTRICTED CASH EQUIVALENTS* Note for further discussion.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consists of the following:

Land	$ 344,068
Building and improvements	31,081,657
Construction in progress	14,591,742
	46,017,467
Less: accumulated depreciation	(8,093,187)
	$ 37,924,280

Depreciation expense for the year ended June 30, 2023 was $1,036,055.

BONDS PAYABLE

On July 7, 2020, the Foundation borrowed $17,000,000 of Series 2020A Bonds and $25,000,000 of Series 2020B Bonds as a repayment and refinance of the prior borrowed Series 2011 Bonds and for construction and improvements to the School. The total amount of the bond proceeds is allocated to the Foundation. The loan is payable in annual installments of principal and interest, which correspond to the repayment or redemption of the bonds that were issued on behalf of the Foundation by the Philadelphia Authority for Industrial Development. The bonds are secured by substantially all of the assets of the Foundation, as well as a security interest in the lease with the School. The bonds were issued with various maturities, interest rates, and principal amounts as follows: $12,455,000, which matures on December 15, 2035, with interest at 4.875%, $12,545,000, which matures on December 15, 2044, with interest at 5.125%, and $17,000,000, which matures on June 15, 2050, with interest at 5.375%. The bonds call for interest only payments at June 15th and payments of principal and interest at December 15th of each year.

The bonds require the Foundation to comply with nonfinancial covenants and the School to comply with financial covenants.

The Series 2020A and Series 2020B Bonds were issued with an underwriter's discount of $635,000. This amount represents the difference between the par amount of the bonds and the aggregate principal amount. Amortization of the underwriter's discount, included as additional interest expense, was $21,167 during the year ended June 30, 2023. Accumulated amortization of the underwriter's discount was $63,500 at June 30, 2023.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

BONDS PAYABLE (continued)

A deferred loss on bond refund is included as a reduction in the bonds payable amount. Components of the deferred loss on bond refund include amounts resulting from the refinance of the Series 2011 Bonds: $281,352 of remaining net bond issuance costs on the Series 2011 Bonds, $490,159 of the remaining unamortized original issue discount on the Series 2011 Bonds, $317,497 of the remaining unamortized underwriter's discount on the Series 2011 Bonds, and $2,458,102 in scheduled interest payments in connection with repayment of the Series 2011 Bonds. Amortization of the deferred loss on bond refund, included as additional interest expense, was $118,237 during the year ended June 30, 2023. Accumulated amortization of the deferred loss on bond refund was $354,711 at June 30, 2023.

The balance of bonds payable at June 30, 2023 was as follows:

Total bonds payable	$ 41,090,000
Less: current portion of bonds payable	(655,000)
Bonds payable, less current portion	40,435,000
Less: unamortized bond issuance costs	(446,663)
Less: underwriter's discount	(571,500)
Less: deferred loss on bond refund	(3,192,399)
Bonds payable, net	$ 36,224,438

Future principal and interest payments of bonds payable are as follows:

Years ending June 30,	Principal	Interest	Total
2024 (current)	$ 655,000	$ 2,103,534	$ 2,758,534
2025	690,000	2,070,750	2,760,750
2026	720,000	2,036,381	2,756,381
2027	760,000	2,000,306	2,760,306
2028	795,000	1,962,403	2,757,403
2029-2033	4,595,000	9,176,316	13,771,316
2034-2038	5,830,000	7,905,688	13,735,688
2039-2043	7,465,000	6,224,253	13,689,253
2044-2048	9,595,000	4,020,659	13,615,659
2049-2050	9,985,000	974,623	10,959,622
	$ 41,090,000	$ 38,474,913	$ 79,564,913

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

NET DEFICIT

There were no net assets with donor restrictions at June 30, 2023.

Net deficit without donor restrictions was as follows at June 30, 2023:

Investment in property and equipment, net of related debt	$	1,044,842
Board designated restricted escrow deposits		3,327,580
Undesignated		(6,574,715)
Total net deficit without donor restrictions	$	(2,202,293)

SUPPORT AND REVENUE

The Foundation receives substantially all of its revenue from rental income which is available for use in general operations.

RELATED PARTY TRANSACTIONS

Facility Leasing Arrangement

On July 7, 2020, the Foundation entered into a long-term operating lease agreement with the School, expiring June 15, 2050. Actual base rent paid for the year ended June 30, 2023 under the current agreement was $2,718,237. This includes a downward adjustment due to increased interest income earned on bond escrows. Rental income is recognized on the straight-line basis over the term of the lease. Total rental income for the year ended June 30, 2023 of $3,208,917 also includes $168,017 of amortization revenue related to prepaid rent, and deferred rent totaling $94,886 (see "Deferred Rent" section below).

The lease agreement includes a provision that minimum rentals may be increased as needed based on the debt service requirement of the Foundation, which are typically in excess of the minimum rental amounts. All costs of operating the facilities are borne by the School.

Future minimum rentals are as follows:

Years ending June 30,		
2024	$	2,776,034
2025		2,775,750
2026		2,776,381
2027		2,777,806
2028		2,777,403
Thereafter		65,209,181
	$	79,092,555

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

RELATED PARTY TRANSACTIONS (continued)

Facility Leasing Arrangement (continued)

Deferred Rent

Deferred rent is calculated based on the excess or deficiency of the straight-line rental payments compared to the actual payments made. At June 30, 2023, the accumulated excess of straight line rental payments above actual rent payments per the lease agreement was $132,735. Deferred rent also includes deferred amounts under the prior agreement that are amortized over the term of the updated agreement. At June 30, 2023, total deferred rent was $1,612,814. Amortization of deferred rent, included within rental income on the Statement of Activities, was $94,886 for the year ended June 30, 2023.

Due to Related Party

As part of the prior lease, the School prepaid additional rent of $2,163,822 in the year ended June 30, 2015. Upon prepayment, the amount was amortized over the remainder of the prior lease, or 26.5 years. During the year ended June 30, 2021, the School prepaid an additional $96,650, which is amortized over the life of the current lease, or 30 years. Amortization revenue recognized during the year ended June 30, 2023 for these prepayments was $84,684. The remaining balance of prepayments by the School, considered due to the Foundation, at June 30, 2022 was $1,593,985. The amounts are non-interest bearing and are amortized as the rental revenue is recognized on the Foundation.

Prepaid Rent

The School also prepaid additional rent of $3,000,000 in the year ended June 30, 2021, $1,500,000 in the year ended June 30, 2022, and $4,000,000 in the year ended June 30, 2023 for various construction projects. Upon completion of the projects, the amount will be amortized using the straight-line method over 15 or 30 years. Amortization revenue recognized during the year ended June 30, 2023 for these prepayments was $311,111. The remaining balance of prepayments by the School, considered prepaid rent to the Foundation, at June 30, 2023 was $8,105,556.

Note 14 – Component Unit (Brazo de Oro Children's Foundation) (continued)

STATEMENT OF FUNCTIONAL EXPENSES

The statement of functional expenses for the year ended June 30, 2023 is as follows:

	Program Service	Management and General	Total
Bank charges	$ -0-	$ 58	$ 58
Depreciation	1,036,055	-0-	1,036,055
Insurance	126,564	-0-	126,564
Interest expense	2,290,170	-0-	2,290,170
Management fees	-0-	23,552	23,552
Professional fees	-0-	10,631	10,631
Supplies	-0-	215	215
Total expenses	$ 3,452,789	$ 34,456	$ 3,487,245

Note 15 – Subsequent Events

The School has evaluated subsequent events through December 20, 2023, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues				
Local educational agencies	$ 19,553,244	$ 22,207,754	$ 22,213,360	$ 5,606
Federal funds	9,266,214	6,881,556	6,922,819	41,263
State funds	378,858	378,858	318,744	(60,114)
Other sources	158,327	319,893	329,897	10,004
Total revenues	29,356,643	29,788,061	29,784,820	(3,241)
Expenditures				
Instruction				
Non-special instruction programs	12,289,734	11,338,852	10,730,165	(608,687)
Special instruction programs	4,996,991	4,853,835	4,689,856	(163,979)
Other instruction programs	339,595	86,957	140,286	53,329
Staff support services	1,179,979	1,146,868	896,577	(250,291)
Instructional support services	57,626	1,643	211,723	210,080
Administrative support services	3,523,248	3,487,000	3,334,532	(152,468)
Nursing services support	237,483	249,736	243,196	(6,540)
Business support services	408,805	433,262	409,234	(24,028)
Non-instructional services	364,133	418,633	327,680	(90,953)
Facility services	5,489,319	5,572,459	2,507,710	(3,064,749)
Student activities	135,438	174,438	167,402	(7,036)
Community service	184,582	127,582	124,021	(3,561)
Interest expense	-0-	-0-	2,148,297	2,148,297
Redemption of principal	-0-	-0-	626,437	626,437
Capital outlays	-0-	-0-	619,335	619,335
Total expenditures	29,206,933	27,891,265	27,176,451	(714,814)
Changes in fund balance	$ 149,710	$ 1,896,796	$ 2,608,369	$ 711,573

See independent auditor's report.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
FOR THE LAST NINE FISCAL YEARS

	Measurement Date								
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.0423%	0.0409%	0.0375%	0.0365%	0.0364%	0.0388%	0.0404%	0.0431%	0.0495%
Proportionate share of the net pension liability	$ 18,806,000	$ 16,801,000	$ 18,465,000	$ 17,076,000	$ 17,474,000	$ 19,163,000	$ 20,021,000	$ 18,669,000	$ 19,593,000
Covered-employee payroll	$ 6,184,497	$ 5,783,754	$ 5,241,471	$ 5,040,058	$ 4,907,828	$ 5,169,961	$ 5,236,472	$ 5,562,013	$ 6,316,641
Proportionate share of the net pension liability as a percentage of covered-employee payroll	304%	290%	352%	339%	356%	371%	382%	336%	310%
Plan's fiduciary net position	$ 70,528,242,000	$ 71,967,352,000	$ 58,556,786,000	$ 58,733,884,000	$ 56,363,714,000	$ 53,155,336,000	$ 49,832,060,000	$ 51,585,521,000	$ 52,980,115,000
Plan fiduciary net positon as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

See independent auditor's report and notes to required supplementary information.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
AS OF JUNE 30, 2023
FOR THE LAST NINE FISCAL YEARS

	Measurement Date								
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually determined contribution	$ 2,109,605	$ 1,945,451	$ 1,752,534	$ 1,635,000	$ 1,545,000	$ 1,484,000	$ 1,430,283	$ 1,417,824	$ 1,468,029
Contributions in relation to the contractually determined contribution	2,109,605	1,945,451	1,752,534	1,635,000	1,545,000	1,484,000	1,285,000	1,113,000	986,000
Contribution (excess) deficiency	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 145,283	$ 304,824	$ 482,029
Covered-employee payroll	$ 6,184,497	$ 5,783,754	$ 5,241,471	$ 5,040,058	$ 4,907,828	$ 5,169,961	$ 5,236,472	$ 5,562,013	$ 6,316,641
Contributions as a percentage of covered-employee payroll	34.11%	33.64%	33.44%	32.44%	31.48%	28.70%	24.54%	20.01%	15.61%

See independent auditor's report and notes to required supplementary information.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AS OF JUNE 30, 2023
FOR THE LAST SEVEN FISCAL YEARS

	Measurement Date						
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Proportion of the net OPEB liability	0.0421%	0.0408%	0.0373%	0.0365%	0.0364%	0.0388%	0.0404%
Proportionate share of the net OPEB liability	$ 775,000	$ 967,000	$ 806,000	$ 776,000	$ 759,000	$ 791,000	$ 870,000
Covered-employee payroll	$ 6,184,497	$ 5,783,754	$ 5,241,471	$ 5,040,058	$ 4,907,828	$ 5,169,961	$ 5,236,472
Proportionate share of the net OPEB liability as a percentage of covered-employee payroll	12.53%	16.72%	14.81%	15.06%	16.12%	16.83%	16.61%
Plan's fiduciary net position	$ 135,476,000	$ 132,515,000	$ 130,417,000	$ 125,185,000	$ 122,734,000	$ 123,743,000	$ 124,563,000
Plan fiduciary net positon as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

See independent auditor's report and notes to required supplementary information.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
AS OF JUNE 30, 2023
FOR THE LAST SEVEN FISCAL YEARS

	Measurement Date						
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually determined contribution	$ 62,018	$ 54,660	$ 51,763	$ 50,912	$ 48,997	$ 48,769	$ 52,316
Contributions in relation to the contractually determined contribution	49,000	47,000	44,000	42,000	41,000	43,000	45,000
Contribution (excess) deficiency	$ 13,018	$ 7,660	$ 7,763	$ 8,912	$ 7,997	$ 5,769	$ 7,316
Covered-employee payroll	$ 6,184,497	$ 5,783,754	$ 5,241,471	$ 5,040,058	$ 4,907,828	$ 5,169,961	$ 5,236,472
Contributions as a percentage of covered-employee payroll	0.79%	0.81%	0.84%	0.83%	0.84%	0.83%	0.86%

See independent auditor's report and notes to required supplementary information.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2023

Changes in Benefit Terms

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in Assumptions Used in Measurement of the Total Pension Liability beginning June 30, 2022

None

Changes in Assumptions Used in Measurement of the Total Pension Liability beginning June 30, 2021

The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants, the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in Assumptions Used in Measurement of the Total Pension Liability beginning June 30, 2020, 2019, 2018, and 2017

None

Changes in Assumptions Used in Measurement of the Total Pension Liability beginning June 30, 2016

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Changes in Assumptions Used in Measurement of the Total Pension Liability beginning June 30, 2016 (continued)

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Method and Assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2021 actuarial valuation will be made during the fiscal year ended June 30, 2023. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return – 7.00%, includes inflation of 2.50% and the real rate of return of 4.50%

- Salary growth – Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority of 2.00%

- Benefit payments – no postretirement benefit increases assumed in the future

- Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

10-year Reporting Requirements

The preceding required supplementary schedules, as related to pensions, are intended to show information for 10 years. Additional years will be displayed as they become available.

The Accounting Valuation

The GASB Statement No. 67 accounting valuation can be found on PSERS' website at www.psers.pa.gov.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH JUNE 30, 2023

Changes in Benefit Terms

None

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2022

The Discount Rate increased from 2.18% to 4.09%.

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2021

The Discount Rate decreased from 2.66% to 2.18%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decrease from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants, the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2020

The Discount Rate decreased from 2.79% to 2.66%

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2019

The Discount Rate decreased from 2.98% to 2.79%

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2018

The Discount Rate decreased from 3.13% to 2.98%.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH JUNE 30, 2023
(CONTINUED)

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2017

The Discount Rate increased from 2.71% to 3.13%.

Changes in Assumptions Used in Measurement of the Total OPEB Liability beginning June 30, 2016

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Method and Assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2021 actuarial valuation will be made during the fiscal year ended June 30, 2023. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return – 4.09% - 20 year S&P Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority of 2.00%
- Benefit payments – no postretirement benefit increases assumed in the future
- Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.

10-year Reporting Requirements

The preceding required supplementary schedules, as related to OPEB, are intended to show information for 10 years. Additional years will be displayed as they become available.

The Accounting Valuation

The GASB Statement No. 74 accounting valuation can be found on PSERS' website at www.psers.pa.gov.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Pass-through Entity Identification Number	Grant Period	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2023
U.S. Department of Education								
Pass-through programs from:								
Pennsylvania Department of Education								
Title I - Improving Basic Programs	84.010	013-200994	9/3/2019 - 9/30/2020	$ 74,695	$ 74,695	$ -0-	$ -0-	$ -0-
Title I - Improving Basic Programs	84.010	013-220994	7/22/2021 - 9/30/2022	131,824	131,824	-0-	-0-	-0-
Title I - Improving Basic Programs	84.010	013-230994	7/22/2022 - 9/30/2023	1,266,713	-0-	1,301,407	1,301,407	34,694
Title II - Supporting Effective Instruction State Grants	84.367	020-210994	9/3/2020 - 9/30/2021	9,593	9,593	-0-	-0-	-0-
Title II - Supporting Effective Instruction State Grants	84.367	020-220994	7/22/2021 - 9/30/2022	9,725	9,725	-0-	-0-	-0-
Title II - Supporting Effective Instruction State Grants	84.367	020-230994	7/22/2022 - 9/30/2023	96,233	-0-	97,971	97,971	1,738
Title III - Language Instruction for English Learners	84.365	010-220994	7/22/2021 - 9/30/2022	12,206	12,206	-0-	-0-	-0-
Title III - Language Instruction for English Learners	84.365	010-230994	7/22/2022 - 9/30/2023	31,503	-0-	33,404	33,404	1,901
Title IV - Student Support and Academic Enrichment	84.424	144-220994	7/22/2021 - 9/30/2022	34,864	34,864	-0-	-0-	-0-
Title IV - Student Support and Academic Enrichment	84.424	144-230994	7/22/2022 - 9/30/2023	111,979	-0-	117,550	117,550	5,571
COVID-19 Relief Funding								
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	223-210994	3/13/2020 - 9/30/2024	2,641,225	419,628	1,154,726	1,154,726	(1,066,871)
American Rescue Plan - Elementary and Secondary School Emergency Relief 7%	84.425U	225-210994	3/13/2020 - 9/30/2024	29,327	(43,989)	69,332	69,332	(3,984)
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	181-212236	7/1/2021 - 9/30/2024	15,469	(1,820)	16,207	16,207	(1,082)
CARES Act - Elementary and Secondary School Emergency Relief Fund Local	84.425D	200-210994	3/13/2020 - 9/30/2023	2,385,985	(187,564)	3,783,088	3,783,088	1,209,539
Total COVID-19 Relief Funding				5,072,006	186,255	5,023,353	5,023,353	137,602
School District of Philadelphia								
IDEA Part B - Special Education Grants to States	84.027	N/A	7/1/2021 - 9/30/2022	318,378	318,378	-0-	-0-	-0-
IDEA Part B - Special Education Grants to States	84.027	N/A	7/1/2022 - 9/30/2023	-0-	-0-	349,134	349,134	349,134
American Rescue Plan - IDEA Part B - Special Education Grants to States	84.027	N/A	7/1/2021 - 9/30/2022	72,896	72,896	-0-	-0-	-0-
Total U.S. Department of Education				7,242,615	850,436	6,922,819	6,922,819	530,640
U.S. Department of Agriculture								
Child Nutrition Cluster								
Pass-through programs from:								
Pennsylvania Department of Agriculture								
National School Lunch Program - Commodities	10.555	362	7/1/2022 - 6/30/2023	76,212	-0-	76,212	76,212	-0-
Pass-through programs from:								
Pennsylvania Department of Education								
School Breakfast Program	10.553	365	7/1/2022 - 6/30/2023	271,780	10,912	260,868	260,868	-0-
National School Lunch Program - Supply Chain Assistance	10.555	356	7/1/2022 - 6/30/2023	47,761	-0-	47,761	47,761	-0-
National School Lunch Program	10.555	362	7/1/2022 - 6/30/2023	827,552	24,053	803,499	803,499	-0-
Total Child Nutrition Cluster				1,223,305	34,965	1,188,340	1,188,340	-0-
State Pandemic Electronic Benefit Transfer Administrative Cost Grants	10.649	358	7/1/2022 - 6/30/2023	3,135	-0-	3,135	3,135	-0-
Total U.S. Department of Agriculture				1,226,440	34,965	1,191,475	1,191,475	-0-
Total Expenditures of Federal Awards				$ 8,469,055	$ 885,401	$ 8,114,294	$ 8,114,294	$ 530,640

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Mariana Bracetti Academy Charter School (the "School") under programs of the federal government for the year ended June 30, 2023. 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* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the balance sheet, revenues, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

Note B – Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Reconciliation of Accrued Revenue Amounts per the Schedule of Expenditures of Federal Awards to the Statement of Net Position

	At June 30, 2023	At June 30, 2022
Federal subsidies receivable	$ 1,272,552	$ 757,500
Included in deferred revenue	(1,091,046)	(263,373)
Included in due from local governments	349,134	391,274
Total Accrued Revenue	$ 530,640	$ 885,401

Note D – Clustered Programs

In accordance with 2 CFR Section 200.518 of the Uniform Guidance, certain programs have been clustered in determining major programs. The following represents the clustered programs:

Name of Cluster/Program	Assistance Listing Number
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555

Note E – Correction of Prior Periods

The School was made aware of a discrepancy in the June 30, 2020 Schedule of Expenditures of Federal Awards that carried forward to the Schedule for the year ended June 30, 2021 but was not material.

The June 30, 2020 Schedule did not include $73,800 in expenditures from the CARES Act – COVID Coronavirus Relief Fund School Safety and Security grant, assistance listing number 21.019. As a result, the amount received was incorrect on the June 30, 2021 Schedule. See below for original and corrected amounts presented at June 30, 2020 and 2021.

June 30, 2020

	Original	Corrected
Federal expenditures	$ -0-	$ 73,800
Revenue recognized	$ -0-	$ 73,800
Amounts received	$ -0-	$ -0-
Accrued revenue, end of year	$ -0-	$ 73,800

June 30, 2021

	Original	Corrected
Federal expenditures	$ 16,200	$ 16,200
Revenue recognized	$ 16,200	$ 16,200
Amounts received	$ 16,200	$ 90,000
Accrued revenue, end of year	$ -0-	$ -0-

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INDEPENDENT AUDITOR'S 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*

To the Board of Trustees of
Mariana Bracetti Academy Charter School
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** (a nonprofit organization), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** basic financial statements, and have issued our report thereon dated December 20, 2023. The financial statements of Brazo de Oro Children's Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Brazo de Oro Children's Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** internal control. Accordingly, we do not express an opinion on the effectiveness of **MARIANA BRACETTI ACADEMY CHARTER 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 20, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Mariana Bracetti Academy Charter School
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** compliance with the types of compliance requirements as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** major federal programs for the year ended June 30, 2023. **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

We are required to be independent of **MARIANA BRACETTI ACADEMY CHARTER 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 each major federal program. Our audit does not provide a legal determination of **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** federal programs.

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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 above occurred, whether due to fraud or error, and express an opinion on **MARIANA BRACETTI ACADEMY CHARTER 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 **MARIANA BRACETTI ACADEMY CHARTER SCHOOL's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **MARIANA BRACETTI ACADEMY CHARTER 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 **MARIANA BRACETTI ACADEMY CHARTER 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 above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 20, 2023

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The Auditor's Report expresses an unmodified opinion on whether the financial statements of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** were prepared in accordance with accounting principles generally accepted in the United States of America.

2. No material weaknesses in internal control were disclosed during the audit of the financial statements.

3. No instances of noncompliance, material to the financial statements of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL**, which would be required to be reported in accordance with *Government Auditing* Standards, were disclosed during the audit.

4. No material weaknesses in internal control over major federal award programs were disclosed during the audit.

5. The Auditor's Report on compliance for the major federal award programs for **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** expresses an unmodified opinion.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.

7. The programs tested as a major program were:

   - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act #84.425D, #84.425U, and #84.425W
   - Title I Grants to Local Educational Agencies (#84.010)

8. The threshold for distinguishing Types A and B programs was $750,000.

9. **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** was determined not to be a low risk auditee.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.