

MARIANA BRACETTI ACADEMY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2021

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements	
Government – Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Fund	12
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16
Statement of Activities – Proprietary Fund	17
Statement of Cash Flows – Proprietary Fund	18
Notes to Financial Statements	19 – 51

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2021**

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	52
Schedule of Proportionate Share of the Net Pension Liability	53
Schedule of Employer Pension Contributions	54
Schedule of Proportionate Share of the Net OPEB Liability	55
Schedule of Employer OPEB Contributions	56
Notes to Required Supplementary Information – Pension	57 – 58
Notes to Required Supplementary Information – OPEB	59 – 60
Other Supplementary Information	
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62
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 <i>Government Auditing Standards</i>	63 – 64
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	65 – 66
Schedule of Findings and Questioned Costs	67 – 68

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Brazo de Oro Children's Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2021, 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.

Other Matters

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 52 – 60 be presented to supplement the basic financial statements. Such information, 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.

Other 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 17, 2021, 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 17, 2021

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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, 2021 were \$25,261,059, which consisted of \$21,888,896 from local educational agency funding, \$2,887,196 from federal grants, \$346,628 from state funding, and \$138,339 from other sources. This revenue represents an increase from the prior year of \$4,707,862.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of \$10,648,444. The School's ending fund balance at June 30, 2020 was \$6,893,434. The increase in fund balance is a result of \$3,755,010 excess of revenues over expenditures for the year ended June 30, 2021.

The School's general fund cash balance at June 30, 2021 was \$6,709,621, representing an increase from the prior year of \$3,519,320. The School's general fund cash balance at June 30, 2020 was \$3,190,301.

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).

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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 \$5,995,089 as of June 30, 2021, which is an increase in total net position of \$4,638,818 from June 30, 2020. The increase in net position increased approximately \$2,250,000 from the prior, mostly as a result of the increase in the school district subsidy rate.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Government-Wide Financial Analysis (continued)

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,709,621	\$ 3,190,301
Other receivables	-0-	21,536
Federal subsidies receivable	596,289	373,659
State subsidies receivable	240,486	289,814
Due from local governments	282,416	230,686
Due from related parties	1,763,351	1,751,422
Prepaid expenses and other assets	3,344,870	3,254,090
Capital assets, net of accumulated depreciation	1,590,567	1,075,974
Total Assets	\$ 14,527,600	\$ 10,187,482
<u>Deferred Outflows of Resources</u>	\$ 3,306,526	\$ 2,133,177
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 169,051	\$ 333,099
Salaries and benefits payable	1,778,770	1,505,342
Deferred revenue	162,917	278,884
Deferred rent	1,362,788	1,135,493
Due to local governments	135,989	20,683
Special education trusts	18,700	18,700
Net OPEB liability	806,000	776,000
Net pension liability	18,465,000	17,076,000
Total Liabilities	\$ 22,899,215	\$ 21,144,201
<u>Deferred Inflows of Resources</u>	\$ 930,000	\$ 1,831,047
<u>Net Position (Deficit)</u>		
Net investment in capital assets	1,590,567	1,075,973
Board designated for capital improvements	3,000,000	3,000,000
Unrestricted	(10,585,656)	(14,709,880)
Total Net Position (Deficit)	\$ (5,995,089)	\$ (10,633,907)

The positive change in net position of \$4,638,818 is primarily the result of an increase in revenue outpacing increased expenditures, primarily due to the increase in the school district subsidy rate.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Government-Wide Financial Analysis (continued)

The School's revenues are predominately from the School District of Philadelphia based on the student enrollment. For the year ended June 30, 2021, the School's total revenues of \$25,609,759 exceeded total expenditures of \$20,970,941 by \$4,638,818. At June 30, 2020, the School's total revenues of \$21,374,764 exceeded total expenditures of \$18,002,830 by \$3,371,934. The increase in revenues is due to the increase in the School District subsidy rate as well as the additional COVID-19 related federal entitlements.

Revenues	<u>2021</u>	<u>2020</u>
Local educational agencies	\$ 21,888,896	\$ 18,636,648
Federal sources	2,887,196	1,305,319
Food service	348,700	821,567
State sources	346,628	388,089
Other sources	138,339	223,141
Total revenues	<u>25,609,759</u>	<u>21,374,764</u>
Expenditures		
Instruction		
Regular instruction programs	8,331,809	7,443,448
Special instruction programs	3,062,037	2,601,668
Other instruction programs	110,668	4,118
Support Services		
Staff support services	734,464	540,230
Instructional support services	176,772	182,316
Administrative support services	2,716,072	2,254,224
Nursing services support	103,750	103,018
Business support services	284,964	297,343
Non-instructional services	388,019	296,392
Facility services	4,494,982	3,496,671
Student activities	52,791	97,522
Community service	104,176	24,957
Business-Type Activities		
Food service	410,437	660,923
Total expenditures	<u>20,970,941</u>	<u>18,002,830</u>
Change in net position	4,638,818	3,371,934
Net position (deficit), beginning of year	<u>(10,633,907)</u>	<u>(14,005,841)</u>
Net position (deficit), end of year	<u>\$ (5,995,089)</u>	<u>\$ (10,633,907)</u>

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021, the School's governmental fund (the general fund) reported an ending fund balance of \$10,648,444. For the year ended June 30, 2021, the School's revenues \$25,261,059 exceeded expenditures of \$21,502,549 by \$3,755,010. The subsidy revenue received from the School District of Philadelphia was \$21,888,896 of total governmental fund revenue. This number includes out of district students. This represents an increase of \$3,252,248 from June 30, 2020. The largest asset in the School's governmental fund at June 30, 2021 was cash of \$6,709,621.

Governmental Fund Budgetary Highlights

At June 30, 2021, the budgeted revenues were more than actual revenues by \$54,992, primarily due to other sources being less than budgeted. Budgeted expenditures exceeded actual expenditures by \$331,158, primarily due to budgeted expenses being slightly higher than actual for several categories, including instructional programs and facility services due to effects of the pandemic.

Capital Asset and Debt Administration

At June 30, 2021, the School's net investment in capital assets for its governmental and business-type activities totaled \$1,590,567, net of accumulated depreciation. This investment in capital assets includes computer equipment and software, machinery and equipment, furniture and fixtures, and leasehold improvements. During the year ended June 30, 2021, the School incurred \$862,402 in additions to capital assets. Depreciation expense was \$347,809 for the year ended June 30, 2021.

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

At June 30, 2021, there was no outstanding long-term debt for the School's governmental and business-type activities.

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 2021-2022. The rate per regular education student will be \$10,639 and the annual rate per special education student will be \$31,099 for the fiscal year 2021-2022.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Future Events that will Financially Impact the School

The School anticipates continued maximum enrollment at 1,500 students. In addition, the COVID-19 pandemic continues to affect operations of the School, though at this time, financial effects have not been major. 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Brazo de Oro Children's Foundation
ASSETS				
Cash and cash equivalents	\$ 6,709,621	\$ -0-	\$ 6,709,621	\$ 304,103
Restricted cash equivalents	-0-	-0-	-0-	13,021,423
Other receivables	-0-	-0-	-0-	-0-
Federal subsidies receivable	514,466	81,823	596,289	-0-
State subsidies receivable	239,601	885	240,486	-0-
Due from local governments	282,416	-0-	282,416	-0-
Due from related parties	1,763,351	-0-	1,763,351	-0-
Internal balances	37,853	(37,853)	-0-	-0-
Prepaid expenses and other assets	3,341,969	2,901	3,344,870	1,906
Deferred rent	-0-	-0-	-0-	1,362,788
Capital assets, net of accumulated depreciation	1,583,549	7,018	1,590,567	26,348,656
Total assets	\$ 14,472,826	\$ 54,774	\$ 14,527,600	\$ 41,038,876
DEFERRED OUTFLOWS OF RESOURCES	\$ 3,306,526	\$ -0-	\$ 3,306,526	\$ -0-
LIABILITIES				
Accounts payable and accrued expenses	\$ 144,457	\$ 24,594	\$ 169,051	\$ 457,820
Salaries and benefits payable	1,778,770	-0-	1,778,770	-0-
Deferred revenue	162,917	-0-	162,917	-0-
Deferred rent	1,362,788	-0-	1,362,788	-0-
Prepaid rent	-0-	-0-	-0-	3,000,000
Due to related parties	-0-	-0-	-0-	1,763,351
Due to local governments	135,989	-0-	135,989	-0-
Special education trusts	18,700	-0-	18,700	-0-
Bonds payable, current	-0-	-0-	-0-	240,000
Bonds payable, long-term	-0-	-0-	-0-	37,192,545
Net OPEB liability	806,000	-0-	806,000	-0-
Net pension liability	18,465,000	-0-	18,465,000	-0-
Total liabilities	\$ 22,874,621	\$ 24,594	\$ 22,899,215	\$ 42,653,716
DEFERRED INFLOWS OF RESOURCES	\$ 930,000	\$ -0-	\$ 930,000	\$ -0-
NET POSITION (DEFICIT)				
Net investment in capital assets	1,583,549	7,018	1,590,567	-0-
Restricted	-0-	-0-	-0-	-0-
Unrestricted	(7,608,818)	23,162	(7,585,656)	(1,614,840)
Total net position (deficit)	\$ (6,025,269)	\$ 30,180	\$ (5,995,089)	\$ (1,614,840)

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, 2021**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position (Deficit)			Component Unit
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Business-Type Activities	Total	Brazo de Oro Children's Foundation
Governmental activities							
Instruction							
Regular instruction programs	\$ 8,331,809	\$ -0-	\$ 2,695,797	\$ (5,636,012)	\$ -0-	\$ (5,636,012)	\$ -0-
Special instruction programs	3,062,037	-0-	279,324	(2,782,713)	-0-	(2,782,713)	-0-
Other instruction programs	110,668	-0-	-0-	(110,668)	-0-	(110,668)	-0-
Support Services							
Staff support services	734,464	-0-	-0-	(734,464)	-0-	(734,464)	-0-
Instructional support services	176,772	-0-	-0-	(176,772)	-0-	(176,772)	-0-
Administrative support services	2,716,072	-0-	-0-	(2,716,072)	-0-	(2,716,072)	-0-
Nursing services support	103,750	-0-	31,356	(72,394)	-0-	(72,394)	-0-
Business support services	284,964	-0-	-0-	(284,964)	-0-	(284,964)	-0-
Non-instructional services	388,019	-0-	-0-	(388,019)	-0-	(388,019)	-0-
Facility services	4,494,982	-0-	227,347	(4,267,635)	-0-	(4,267,635)	-0-
Operation of Non-Instructional Services							
Student activities	52,791	-0-	-0-	(52,791)	-0-	(52,791)	-0-
Community service	104,176	-0-	-0-	(104,176)	-0-	(104,176)	-0-
Total governmental activities	<u>\$ 20,560,504</u>	<u>\$ -0-</u>	<u>\$ 3,233,824</u>	<u>\$ (17,326,680)</u>	<u>\$ -0-</u>	<u>\$ (17,326,680)</u>	<u>\$ -0-</u>
Business-type activities							
Food service	410,437	-0-	348,700	-0-	(61,737)	(61,737)	-0-
Total primary government activities	<u>\$ 20,970,941</u>	<u>\$ -0-</u>	<u>\$ 3,582,524</u>	<u>\$ (17,326,680)</u>	<u>\$ (61,737)</u>	<u>\$ (17,388,417)</u>	<u>\$ -0-</u>
Component Units							
Brazo de Oro Children's Foundation	<u>\$ 3,645,297</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	\$ -0-	\$ -0-	\$ -0-	\$ (3,645,297)
General revenues							
Local educational agencies				21,888,896	-0-	21,888,896	-0-
Rental income				-0-	-0-	-0-	3,513,000
All other revenue				138,339	-0-	138,339	4,556
Total general revenues				<u>22,027,235</u>	<u>-0-</u>	<u>22,027,235</u>	<u>3,517,556</u>
Change in net position				4,700,555	(61,737)	4,638,818	(127,741)
Net position (deficit), beginning of year				<u>(10,725,824)</u>	<u>91,917</u>	<u>(10,633,907)</u>	<u>(1,487,099)</u>
Net position (deficit), end of year				<u>\$ (6,025,269)</u>	<u>\$ 30,180</u>	<u>\$ (5,995,089)</u>	<u>\$ (1,614,840)</u>

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 6,709,621
Federal subsidies receivable	514,466
State subsidies receivable	239,601
Due from local governments	282,416
Due from related parties	1,763,351
Due from other fund	37,853
Prepaid expenses and other assets	3,341,969
Total assets	\$ 12,889,277
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued expenses	\$ 144,457
Salaries and benefits payable	1,778,770
Deferred revenue	162,917
Due to local governments	135,989
Special education trusts	18,700
Total liabilities	2,240,833
Fund balance	
Nonspendable	5,105,320
Committed	1,577,430
Unassigned	3,965,694
Total fund balance	10,648,444
Total liabilities and fund balance	\$ 12,889,277

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

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balance for governmental fund	\$	10,648,444
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Capital assets used in governmental funds are not financial resources and therefore, are not reported in the funds. These assets consist of:

Computer equipment and software, machinery and equipment, furniture and fixtures, leasehold improvements, and vehicles, net of accumulated depreciation		1,583,549
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Deferred outflows of resources are not financial resources and therefore, are not reported in governmental funds.

Deferred outflows		3,306,526
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Long-term liabilities, including deferred rent, and deferred inflows of resources are not due and payable in the current period and therefore, are not reported in governmental funds.

Deferred rent		(1,362,788)
Net OPEB liability		(806,000)
Net pension liability		(18,465,000)
Deferred inflows of resources		(930,000)
		(930,000)

Total net position of governmental activities	\$	(6,025,269)
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**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund
Revenues	
Local educational agencies	\$ 21,888,896
Federal sources	2,887,196
State sources	346,628
Other sources	138,339
Total revenues	25,261,059
Expenditures	
Instruction	
Regular instruction programs	8,423,017
Special instruction programs	3,167,843
Other instruction programs	114,688
Staff support services	773,243
Instructional support services	181,008
Administrative support services	2,840,726
Nursing services support	103,750
Business support services	293,329
Non-instructional services	336,300
Facility services	4,252,008
Student activities	53,061
Community service	104,674
Interest expense	-0-
Debt service	-0-
Capital outlays	862,402
Total expenditures	21,506,049
Changes in fund balance	3,755,010
Fund balance, beginning of year	6,893,434
Fund balance, end of year	\$ 10,648,444

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, 2021**

Changes in fund balance - total governmental fund \$ 3,755,010

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

Capital outlays	862,402	
Depreciation expense	(344,959)	
	517,443	517,443

Deferred rent is included within long-term liabilities and does not require the use of current financial resources. Therefore, deferred rent expenditures are not reported as expenditures in governmental funds.

Deferred rent expense		(227,295)
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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		14,314
Pension benefit		641,083
		641,083

Change in net position of governmental activities		\$ 4,700,555
		4,700,555

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021**

	Enterprise Fund	Food Service Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$	-0-
Federal subsidies receivable		81,823
State subsidies receivable		885
Prepaid expenses and other assets		2,901
Total current assets		85,609
Capital assets		
Machinery and equipment		256,542
Furniture and fixtures		4,792
Less: accumulated depreciation		(254,316)
Total capital assets, net		7,018
Total assets	\$	92,627
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable and accrued expenses	\$	24,594
Due to general fund		37,853
Total liabilities		62,447
Net Position		
Net investment in capital assets		7,018
Unrestricted		23,162
Total net position		30,180
Total liabilities and net position	\$	92,627

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

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Enterprise Fund
	Food Service Fund
Operating revenues	
Food service revenues	\$ -0-
Operating expenses	
Food service costs	249,315
Operational	158,272
Depreciation	2,850
	410,437
Total operating expenses	410,437
Operating loss	(410,437)
Non-operating revenues	
Federal sources	338,928
State sources	9,772
	348,700
Total non-operating revenues	348,700
Change in net position	(61,737)
Net position, beginning of year	91,917
Net position, end of year	\$ 30,180

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

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Enterprise Fund	Food Service Fund
Cash flows from operating activities		
Cash received from (paid to)		
Food services	\$	-0-
Payments to suppliers		(297,961)
Payments to employees		(125,830)
		(423,791)
Net cash used in operating activities		(423,791)
Cash flows from non-capital financing activities		
Federal sources		279,635
State sources		10,804
Internal balances		133,352
		423,791
Net cash provided by non-capital financing activities		423,791
Cash flows from investing activities		-0-
Net increase in cash and cash equivalents		-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	\$	(410,437)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense		2,850
Commodities expense		23,036
Change in assets and liabilities		
Prepaid expenses and other assets		(1,084)
Accounts payable		(38,156)
		(423,791)
Net cash used in operating activities	\$	(423,791)

Noncash transactions:

The School received commodities in the amount of \$23,036 in the year ended June 30, 2021

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

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – 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 2020-2021 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 15 for further discussion.

COVID-19 Considerations

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (“COVID-19”) as a pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures and capacity limitations, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

COVID-19 Considerations (continued)

During the COVID-19 pandemic, the School has had to make significant changes, but the School's services have generally not been materially interrupted. For the majority of the 2020 – 2021 school year, the School was not permitted to provide in-person instruction, however, in the beginning of 2021, the School was able to offer a hybrid learning model. The largest uncertainty that remote learning created was the potential of attendance levels dropping and the School not being able to collect the expected subsidy amounts. However, this did not significantly affect the School. The School has been able to resume in-person instruction for the 2021 – 2022 school year. In addition, there were several federal grants created in response to the pandemic and the School took advantage of these and will continue to receive funding into the 2021 – 2022 school year.

As the situation continues to evolve and currently, returns to a pre-pandemic state, the School is closely monitoring the continued impact of the COVID-19 pandemic on all aspects of business, including how it impacts students and employees. The School believes the ultimate impact of the COVID-19 pandemic on operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the School's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise and resurface, they could have a material adverse impact on the School.

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 15 for further discussion.

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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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 another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability rather than 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.

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 are recorded as expenditures in the year the resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another 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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements (continued)

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.
- 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, \$3,000,000 has been designated by the Board for capital improvement projects.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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

Net Position/Fund Balances (continued)

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, 2021, the School had \$5,105,320 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.

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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

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. Given the situation surrounding the COVID-19 pandemic, many estimates and assumptions have required increased judgment and are subject to a higher degree of variability and volatility. Although management believes the estimates that have been used are reasonable, as events continue to evolve and additional information becomes available, 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, 2021, no allowance for doubtful accounts was deemed necessary.

Prepaid Expenses

Prepaid expenses at June 30, 2021 include payments to vendors for services applicable to future accounting periods such as prepayments of rent, professional retainers, and insurance premiums.

Capital Assets

Capital assets, which include computer equipment and software, machinery and equipment, furniture and fixtures, and leasehold improvements, 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).

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

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Special Education Trusts (continued)

amount of \$18,700, at June 30, 2021, 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 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. Accordingly, no provision for income taxes has been made in the accompanying financial statements. For the year ended June 30, 2021, the School had no 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

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

Exempt Organization Income Tax Returns (Form 990) for 2020, 2019, and 2018, are subject to examination by the 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.

Recently Adopted Accounting Pronouncements

Fiduciary Activities

In January 2017, the GASB issued GASB Statement No. 84, “Fiduciary Activities.” The Statement establishes standards of accounting and financial reporting for fiduciary activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The Statement was adopted by the School as of July 1, 2020. The Statement did not have a material impact for the School. However, given the updated definition of fiduciary activities, the student activities fund, which was previously categorized as an agency fund under fiduciary fund presentation, is now considered part of the General Fund.

Recent Accounting Pronouncements Not Yet Adopted

Postponement of the Effective Dates of Certain Authoritative Guidance

In May 2020, the GASB issued GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.” This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 “pandemic.” The Statement postpones the effective dates of certain GASB statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. GASB Statement No. 95 extends the implementation dates of GASB Statements Nos. 84 and 87 as mentioned below, among other GASB Statements that do not apply to the School.

Leases

In June 2017, the GASB issued GASB Statement No. 87, “Leases.” The primary objective of the Statement is to enhance the relevance and consistency of information about governments’ leasing activities by requiring lessees to recognize certain lease assets and lease liabilities on the balance sheet that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also requires disclosures related to the timing, significance, and purpose of a government’s leasing arrangements.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

Leases (continued)

Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The standard is effective for fiscal years beginning after June 15, 2021, as per GASB Statement No. 95, which extended the effective dates for 18 months. The School is currently evaluating the Statement and its impact on the financial statements.

Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB 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 is currently evaluating the Statement and its impact on the financial statements.

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, 2021, the School’s bank balances were not exposed to custodial credit risk as shown in the following table:

Reconciliation to the Financial Statements

	Governmental <u>Activities</u>
Collateralized pursuant to PA Act 72	\$ 6,779,036
Plus: insured amount	250,000
Less: outstanding checks	<u>(319,415)</u>
Total cash per financial statements	<u>\$ 6,709,621</u>

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation’s (“FDIC”) limit of \$250,000, with financial institutions. Under Pennsylvania Act 72, 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 this act.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

Governmental activities

	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>
Computer equipment and software	\$ 1,607,124	\$ 462,710	\$ 2,069,835
Machinery and equipment	395,019	-0-	395,019
Furniture and fixtures	354,904	302,988	657,892
Leasehold improvements	<u>628,757</u>	<u>96,704</u>	<u>725,461</u>
	2,985,804	862,402	3,848,207
Accumulated depreciation	<u>(1,919,699)</u>	<u>(344,959)</u>	<u>(2,264,658)</u>
	<u>\$ 1,066,105</u>	<u>\$ 517,444</u>	<u>\$ 1,583,549</u>

Business-Type Activities

	<u>Beginning</u>	<u>Additions</u>	<u>Ending</u>
Machinery and equipment	\$ 256,542	\$ -0-	\$ 256,542
Furniture and fixtures	<u>4,792</u>	<u>-0-</u>	<u>4,792</u>
	261,334	-0-	261,334
Accumulated depreciation	<u>(251,466)</u>	<u>(2,850)</u>	<u>(254,316)</u>
	<u>\$ 9,868</u>	<u>\$ (2,850)</u>	<u>\$ 7,018</u>

Depreciation expense for the year ended June 30, 2021 was \$347,809, and is included with governmental activities and business-type activities 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, 2021, the rate for the School District of Philadelphia was \$10,788 per year for regular education students and \$30,306 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, 2021, total revenue from local educational agencies was \$21,888,896 including \$12,589,865 for regular education students and \$9,299,031 for special education students.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 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

The School was previously under a 30-year non-cancelable lease with the Foundation for the rental of its facilities that was set to expire in December 2041. As part of the bonds payable refinance as mentioned below and in Note 15, on July 1, 2020, the School entered into a new long-term lease agreement with the Foundation, expiring on June 30, 2050. Rental expense is recognized on a straight-line basis over the term of the lease. The difference between actual rent expense and the straight-line expense is an increase or decrease to deferred rent on the Statement of Net Position.

Total rent expense for the year ended June 30, 2021 was \$3,513,000, which contains base rent under the above agreement of \$2,642,325, additional payments of \$605,530, and amortization of deferred rent amounts of \$265,145, as described below.

The following is a schedule of future minimum lease payments under the operating leases at June 30, 2021:

Year ending June 30:	Amount
2022	\$ 2,714,480
2023	2,774,734
2024	2,776,034
2025	2,775,750
2026	2,776,381
Thereafter	<u>70,764,391</u>
Total	<u>\$ 84,581,771</u>

The Foundation has a debt obligation as described in Note 15. The School entered into a lease agreement with the Foundation as a means to transfer funds sufficient to service this debt.

The School prepaid rent to the Foundation in the amount of \$3,000,000, which remains as a prepaid balance at June 30, 2021.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6 – Related Party Transactions (continued)

Related-Party Receivables and Payables

The School advanced \$1,763,351 to the Foundation as of June 30, 2021. The advances, which are non-interest-bearing, do not have stated repayment terms but, are expected to be repaid within one year.

Note 7 – Management Fee

Santilli & Thomson, LLC provides management services for the School under a management agreement that expires June 30, 2023. Total fees incurred under the management agreement for the year ended June 30, 2021 were \$103,636 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 generally eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with thirty or more years of credited service; or (c) thirty-five or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership 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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, 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 ten years of service.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 – Retirement Plans (continued)

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

Benefits provided (continued)

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

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation.

Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8 – Retirement Plans (continued)

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

Contributions (continued)

Employer Contributions

The School’s contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% 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 pension plan from the School were \$1,960,801 for the year ended June 30, 2021.

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, 2020 measurement date were as follows:

Total pension liability	\$ 107,795,802,000
Plan fiduciary net position	(58,556,786,000)
Employer net pension liability	\$ <u>49,239,016,000</u>
Plan fiduciary net position as a percentage of the total pension liability	54.32%

At June 30, 2021, the School reported a liability of \$18,465,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 measurement date to June 30, 2020. 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, 2021, the School’s proportion was 0.0375%, which was an increase of 0.000010 from its proportion measured as of June 30, 2020 of 0.0365%.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the School recognized pension expense of \$1,319,719. At June 30, 2021, 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	\$ 48,000	\$ 443,000
Changes in assumptions	-0-	-0-
Net difference between projected and actual investment earnings	811,000	-0-
Changes in proportion	382,000	425,000
Contributions subsequent to the measurement date	<u>1,960,801</u>	<u>-0-</u>
Total	<u>\$ 3,201,801</u>	<u>\$ 868,000</u>

\$1,960,801 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, 2021. 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,	
2022	\$ (391,000)
2023	164,000
2024	360,000
2025	<u>240,000</u>
	<u>\$ 373,000</u>

Actuarial Assumptions

The total pension liability at June 30, 2020 was determined by rolling forward the System’s total pension liability at the June 30, 2019 measurement date to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – 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 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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	<u>\$22,845,000</u>	<u>\$18,465,000</u>	<u>\$14,754,000</u>

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, 2021 was 0.18% of covered payroll. Employee and employer contributions for the year ended June 30, 2021 were nominal.

403(b) Plan

The School maintains a savings incentive 403(b) plan, known as the PSERS Alternative 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, 2021 was \$189,352.

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,

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10 – Other Postemployment Benefits Plan (continued)

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

Health Insurance Premium Assistance Program (continued)

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, 2020 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, and
- Participate in the HOP or employer-sponsored health insurance program.

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. As of the June 30, 2020 measurement date, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$47,725 for the year ended June 30, 2021.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020 measurement date, were as follows:

Total OPEB liability	\$ 2,291,114,000
Plan fiduciary net position	<u>(130,417,000)</u>
Employer net OPEB liability	<u>\$ 2,160,697,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%

At June 30, 2021, the School reported a liability of \$806,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 measurement date to June 30, 2020. 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, 2021, the School's proportion was 0.0373%, which was an increase of 0.000008 from its proportion measured at June 30, 2020 of 0.0365%.

For the year ended June 30, 2021, the School recognized an OPEB expense of \$33,411. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,000	\$ -0-
Changes of assumptions	33,000	18,000
Net differences between projected and actual investment earnings	1,000	-0-
Changes in proportion	16,000	44,000
Contributions subsequent to the measurement date	<u>47,725</u>	<u>-0-</u>
Total	<u>\$ 104,725</u>	<u>\$ 62,000</u>

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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

\$47,725 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, 2021. 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,

2022	\$ (7,000)
2023	(7,000)
2024	(7,000)
2025	4,000
2026	8,000
Thereafter	<u>4,000</u>
	<u>\$ (5,000)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the System’s total OPEB liability as of the June 30, 2019 measurement date to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment Return – 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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 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.
- 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, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation at June 30, 2018 determined the employer contribution rate for fiscal year 2020
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Actuarial Assumptions (continued)

- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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, 2020 are summarized in the following table:

<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	<u>3.2%</u>	(0.1%)
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. 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 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020 was applied to all projected benefit payments to measure the total OPEB liability.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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, 2020, 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	<u>\$806,000</u>	<u>\$806,000</u>	<u>\$806,000</u>

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current discount rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Net OPEB liability	<u>\$919,000</u>	<u>\$806,000</u>	<u>\$712,000</u>

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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 – Additional Federal Grant Funding

Prior to June 30, 2021, the Pennsylvania Department of Education began to allocate additional Elementary and Secondary School Emergency Relief ("ESSER") funds to schools in Pennsylvania as funds were passed to states through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Under the additional ESSER funds, the School has been granted \$5,129,869 in ESSER II funds, \$10,376,241 in American Rescue Plan ("ARP") ESSER funds, \$115,210 in ARP ESSER 1% after school set aside funds, \$115,210 in ARP ESSER 1% summer enrichment set aside funds, and \$576,048 in ARP ESSER set aside learning loss allocation funds. ESSER II funds may be utilized for allowable costs dating back to March 13, 2020 through September 30, 2023 and ARP ESSER funds through September 30, 2024. As of June 30, 2021, no expenditures have been incurred under these grants.

Note 15 – 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 Internal Revenue Code, 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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Braço de Oro Children’s Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 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, 2021, 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 in the Statement of Activities.

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. Given the situation surrounding the COVID-19 pandemic, many estimates and assumptions have required increased judgment and are subject to a higher degree of variability and volatility. Although management believes the estimates that have been used are reasonable, as events continue to evolve and additional information becomes available, actual results could vary from the estimates that were used.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Braço de Oro Children’s Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents

For the purpose of the Statement of Net Position, 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 considered 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.

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 the income. At June 30, 2021, \$9,314,922 of construction work on the gymnasium project is contained within property and equipment, has not been placed in service, and is classified as construction in progress.

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, 2021.

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, as described in the *BONDS PAYABLE* Note below, 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 figure 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, 2021, was \$16,543. Accumulated amortization of bond issuance costs at June 30, 2021 was \$16,543.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, but are charged directly to that function as their usage is directly identifiable. Certain categories of expenses are attributable to more than one program or supporting function.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code, and classified by the Internal Revenue Service 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 2020, 2019, and 2018 are subject to examination by the IRS, generally three years after they were filed.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS

The Foundation maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At June 30, 2021, the Foundation had a cash balance in excess of FDIC insured limits of \$54,103. 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 such 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.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

RESTRICTED CASH EQUIVALENTS (continued)

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, 2021, there were no amounts held in this escrow account.

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 applies 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 of Industrial Development for the School’s Gymnasium Project.

Issuance Expense Fund

The Issuance Expense Fund escrow account was funded from the Series 2020A and Series 2020B Bonds and was used for payment toward expenditures incurred for issuance of the Series 2020A and Series 2020B Bonds. Pursuant to the agreement, after a period of 90 days from delivery of the Series 2020A and Series 2020B Bonds, the Issuance Expense Fund is to be closed and remaining amounts transferred to the Bond Interest Fund. At June 30, 2021, there were no amounts held in this escrow account.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

RESTRICTED CASH EQUIVALENTS (continued)

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. At June 30, 2021, there were no amounts held in this escrow account.

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, 2021, 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, 2021 is as follows:

Bond Principal Fund	\$	140,003
Bond Interest Fund		229,286
Debt Service Reserve Fund		2,780,143
Project Fund		<u>9,871,991</u>
	\$	<u>13,021,043</u>

AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at June 30, 2021:

Financial assets at year end:		
Cash and cash equivalents	\$	304,103
Restricted cash equivalents		<u>13,021,043</u>
		13,325,526
Net assets with donor restrictions		-0-
Less restricted cash equivalents not anticipated to be used within one year		<u>(13,021,043)</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>304,103</u>

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

AVAILABILITY AND LIQUIDITY (continued)

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 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 not covered by donor restricted resources.

PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consists of the following:

Land	\$ 344,068
Building and improvements	22,756,990
Construction in progress	<u>9,314,922</u>
	32,415,980
Less: accumulated depreciation	<u>(6,067,324)</u>
	<u>\$ 26,348,656</u>

Depreciation expense for the year ended June 30, 2021 was \$758,566.

BONDS PAYABLE

On December 16, 2011, the Foundation and the School, as co-borrowers, borrowed \$24,740,000 of Series 2011 Bonds for purchase and improvement of the primary building to be used by the School. The total amount of the bond proceeds was allocated to the Foundation. The loan was 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 and the School by the Philadelphia Authority of Industrial Development. The bonds were secured by substantially all of the assets of the Foundation, as well as a security interest in the lease with School. The bonds were issued with various maturities, interest rates, and principal amounts. The Series 2011 Bonds were repaid on July 7, 2020 pursuant to the below described refinancing agreement.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

BONDS PAYABLE (continued)

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 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 of 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 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 15 and payments of principal and interest at December 15 of each respective 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, 2021. Accumulated amortization of the underwriter’s discount was \$21,167 at June 30, 2021.

A deferred loss on bond refund is included as a reduction in the bonds payable amount presented on the Statement of Financial Position. 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 premiums 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, 2021. Accumulated amortization of the deferred loss on bond refund was \$118,237 at June 30, 2021.

The balance of bonds payable at June 30, 2021 was as follows:

Total bonds payable	\$ 41,955,000
Less: current portion of bonds payable	<u>(240,000)</u>
Bonds payable, less current portion	41,715,000
Less: unamortized bond issuance costs	(479,749)
Less: underwriter’s discount	(613,833)
Less: deferred loss on bond refund	<u>(3,428,873)</u>
Bonds payable, net	<u>\$ 37,192,545</u>

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Braço de Oro Children’s Foundation) (continued)

BONDS PAYABLE (continued)

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

Year Ending June 30,	Principal	Interest	Total
2022 (current)	\$ 240,000	\$ 2,343,674	\$ 2,583,674
2023	625,000	2,134,734	2,759,734
2024	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
2027-2031	4,180,000	9,603,731	13,783,731
2032-2036	6,520,000	8,454,206	14,974,206
2037-2041	7,100,000	6,952,516	14,052,516
2042-2046	9,115,000	4,980,303	14,095,303
2047-2050	12,110,000	2,273,491	14,383,491
	<u>\$ 41,955,000</u>	<u>\$ 42,953,321</u>	<u>\$ 84,908,321</u>

NET ASSETS

There were no net assets with donor restrictions at June 30, 2021.

Net assets without donor restrictions were as follows at June 30, 2021:

Investment in property and equipment, net of related debt	\$(11,083,889)
Board designated restricted escrow deposits	13,021,423
Undesignated	<u>(3,552,374)</u>
Total net assets without donor restrictions	<u>\$(1,614,840)</u>

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

The Foundation previously leased its rental facilities to the School under a long-term operating lease agreement that was set to expire in December 2041. In connection with the bonds payable refinance as described in Note 7, on July 7, 2020, the Foundation entered into a new long-term operating lease agreement with the School, expiring June 15, 2050. Base rent under the current agreement for the year ended June 30, 2021 was \$2,642,325. Total rental income for the year ended June 30, 2021 of \$3,513,000 also includes \$84,684 of amortization revenue, additional rent payments of \$558,696, deferred rent totaling \$227,295 (see “Deferred Rent” section below).

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Braço de Oro Children’s Foundation) (continued)

RELATED PARTY TRANSACTIONS (continued)

Facility Leasing Arrangement (continued)

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:

<u>Years ending June 30,</u>	
2022	\$ 2,714,480
2023	2,774,734
2024	2,776,034
2025	2,775,750
2026	2,776,381
Thereafter	<u>70,764,392</u>
	<u>\$ 84,581,771</u>

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, 2021, the excess of straight line rental payments above actual rent payments per the lease agreement was \$265,145. Deferred rent also includes deferred amounts under the prior agreement that are amortized over the term of the updated agreement. At June 30, 2021 total deferred rent was \$1,362,788. Amortization of deferred rent, included within rental income, was \$227,295 for the year ended June 30, 2021.

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, 2021 for these prepayments was \$84,684. The remaining balance of prepayments by the School, considered due to the Foundation, at June 30, 2021 was \$1,763,351. The amounts are non-interest bearing and are amortized as the rental revenue is recognized on the Foundation.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 15 – Component Unit (Brazo de Oro Children’s Foundation) (continued)

STATEMENT OF FUNCTIONAL EXPENSES

The statement of functional expenses for the year ended June 30, 2021 is as follows:

	<u>Program Service</u>	<u>Management and General</u>	<u>Total</u>
Depreciation	\$ 758,566	\$ -0-	\$ 758,566
Bank fees	-0-	6,702	6,702
Insurance	122,017	-0-	122,017
Interest expense	2,674,426	-0-	2,674,426
Management fees	-0-	64,200	64,200
Professional fees	-0-	19,386	19,386
Total expenses	<u>\$ 3,555,009</u>	<u>\$ 90,288</u>	<u>\$ 3,645,297</u>

Note 16 – Subsequent Events

The School has evaluated subsequent events through December 17, 2021, the date these financial statements were available to be issued. Except as noted in Note 1 with the ongoing effects of the Coronavirus pandemic, 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, 2021

Revenues	Budget		Actual	Variance with Final Budget
	Original	Final		
Local educational agencies	\$ 21,595,991	\$ 21,888,896	\$ 21,888,896	\$ -0-
Federal funds	1,694,050	2,857,285	2,887,196	29,911
State funds	373,049	343,726	346,628	2,902
Other sources	278,420	226,144	138,339	(87,805)
Total revenues	23,941,510	25,316,051	25,261,059	(54,992)
Expenditures				
Instruction				
Regular instruction programs	9,832,777	9,288,404	8,423,017	(865,387)
Special instruction programs	3,645,524	3,227,232	3,167,843	(59,389)
Other instruction programs	7,896	23,943	114,688	90,745
Staff support services	1,036,989	933,989	773,243	(160,746)
Instructional support services	49,715	62,811	181,008	118,197
Administrative support services	2,868,602	2,932,086	2,840,726	(91,360)
Nursing services support	149,959	104,004	103,750	(254)
Business support services	375,066	307,690	293,329	(14,361)
Non-instructional services	343,528	345,956	336,300	(9,656)
Facility services	5,032,731	4,436,728	4,252,008	(184,720)
Student activities	126,573	66,447	53,061	(13,386)
Community service	10,917	107,917	104,674	(3,243)
Debt service	-0-	-0-	-0-	-0-
Capital outlays	-0-	-0-	862,402	862,402
Total expenditures	23,480,277	21,837,207	21,506,049	(331,158)
Changes in fund balance	\$ 461,233	\$ 3,478,844	\$ 3,755,010	\$ 276,166

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2021
FOR THE LAST SEVEN FISCAL YEARS**

	Measurement Date						
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportion of the net pension liability	0.0375%	0.0365%	0.0364%	0.0388%	0.0404%	0.0431%	0.0495%
Proportionate share of the net pension liability	\$ 18,465,000	\$ 17,076,000	\$ 17,474,000	\$ 19,163,000	\$ 20,021,000	\$ 18,669,000	\$ 19,593,000
Covered-employee payroll	\$ 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	352%	339%	356%	371%	382%	336%	310%
Plan's fiduciary net position	\$ 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 position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
AS OF JUNE 30, 2021
FOR THE LAST SEVEN FISCAL YEARS**

	Measurement Date						
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually determined contribution	\$ 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	<u>1,752,534</u>	<u>1,635,000</u>	<u>1,545,000</u>	<u>1,484,000</u>	<u>1,285,000</u>	<u>1,113,000</u>	<u>986,000</u>
Contribution (excess) deficiency	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 145,283</u>	<u>\$ 304,824</u>	<u>\$ 482,029</u>
Covered-employee payroll	\$ 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	33.44%	32.44%	31.48%	28.70%	24.54%	20.01%	15.61%

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AS OF JUNE 30, 2021
FOR THE LAST FIVE FISCAL YEARS**

	Measurement Date				
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Proportion of the net OPEB liability	0.0373%	0.0365%	0.0364%	0.0388%	0.0404%
Proportionate share of the net OPEB liability	\$ 806,000	\$ 776,000	\$ 759,000	\$ 791,000	\$ 870,000
Covered-employee payroll	\$ 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	15.38%	15.40%	15.47%	15.30%	16.61%
Plan's fiduciary net position	\$ 130,417,000	\$ 125,185,000	\$ 122,734,000	\$ 123,743,000	\$ 124,563,000
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
AS OF JUNE 30, 2020
FOR THE LAST FIVE FISCAL YEARS**

	Measurement Date				
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually determined contribution	\$ 51,763	\$ 50,912	\$ 48,997	\$ 48,769	\$ 52,316
Contributions in relation to the contractually determined contribution	<u>44,000</u>	<u>42,000</u>	<u>41,000</u>	<u>43,000</u>	<u>45,000</u>
Contribution (excess) deficiency	<u>\$ 7,763</u>	<u>\$ 8,912</u>	<u>\$ 7,997</u>	<u>\$ 5,769</u>	<u>\$ 7,316</u>
Covered-employee payroll	\$ 5,241,471	\$ 5,040,058	\$ 4,907,828	\$ 5,169,961	\$ 5,236,472
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.84%	0.83%	0.86%

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2021**

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, 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.

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, 2019 actuarial valuation will be made during the fiscal year ended June 30, 2021. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return – 7.25%, includes inflation of 2.75% and the real rate of return of 4.50%
- Salary growth – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%
- Benefit payments – no postretirement benefit increases assumed in the future

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEARS ENDED JUNE 30, 2015 THROUGH JUNE 30, 2021
(CONTINUED)**

Method and Assumptions used in calculations of actuarially determined contributions (continued)

- Mortality rates were 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.

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 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, 2021**

Changes in Benefit Terms

None

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%.

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.

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEARS ENDED JUNE 30, 2017 THROUGH JUNE 30, 2021
(CONTINUED)**

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, 2019 actuarial valuation will be made during the fiscal year ended June 30, 2021. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return – 2.66% - 20 year S&P Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%
- Benefit payments – no postretirement benefit increases assumed in the future
- Mortality rates were 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.
- 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 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, 2021**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identification Number	Grant Period	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2021
U.S. Department of Education								
Pass-through programs from:								
Pennsylvania Department of Education								
Title I - Improving Basic Programs	84.010	013-200995	7/1/2019 - 9/30/2020	\$ 224,086	\$ 76,218	\$ 222,563	\$ 222,563	\$ 74,695
Title I - Improving Basic Programs	84.010	013-210995	7/1/2020 - 9/30/2021	976,688	-	1,389,196	1,389,196	412,508
Title II - Supporting Effective Instruction State Grants	84.367	020-200995	7/1/2019 - 9/30/2020	-	8,958	-	-	8,958
Title II - Supporting Effective Instruction State Grants	84.367	020-210995	7/1/2020 - 9/30/2021	89,185	-	86,902	86,902	(2,283)
Title III - Language Instruction for English Learners	84.365	010-210995	7/1/2020 - 9/30/2021	26,971	-	26,971	26,971	-
Title IV - Student Support and Academic Enrichment	84.424	144-200995	7/1/2019 - 9/30/2020	11,395	11,395	-	-	-
Title IV - Student Support and Academic Enrichment	84.424	144-210995	7/1/2020 - 9/30/2021	61,016	-	79,321	79,321	18,305
COVID-19 Relief Funding								
Elementary and Secondary School Emergency Relief Fund	84.425D	200-200995	3/13/2020 - 9/30/2021	859,056	8,960	786,719	786,719	(63,377)
Special Education COVID-19 Impact Mitigation Grant	84.027	252-200995	3/13/2020 - 9/30/2021	5,000	-	-	-	(5,000)
Total COVID-19 Relief Funding				864,056	8,960	786,719	786,719	(68,377)
School District of Philadelphia								
IDEA Part B - Special Education Grants to States	84.027	N/A	7/1/2019 - 9/30/2020	230,686	230,686	-	-	-
IDEA Part B - Special Education Grants to States	84.027	N/A	7/1/2020 - 9/30/2021	-	-	279,324	279,324	279,324
Total U.S. Department of Education				2,484,083	336,217	2,870,996	2,870,996	723,130
U.S. Department of the Treasury								
Pass-through programs from:								
Pennsylvania Commission on Crime and Delinquency								
CARES Act - COVID Coronavirus Relief Fund School Safety and Security	21.019	N/A	7/1/2020 - 6/30/2021	16,200	-	16,200	16,200	-
Total U.S. Department of the Treasury				16,200	-	16,200	16,200	-
U.S. Department of Agriculture								
Pass-through programs from:								
Pennsylvania Department of Education								
Child Nutrition Cluster								
School Breakfast Program	10.553	365	7/1/2020 - 6/30/2021	106,260	17,587	97,774	97,774	9,101
National School Lunch Program	10.555	362	7/1/2020 - 6/30/2021	173,375	27,979	218,118	218,118	72,722
National School Lunch Program - Commodities	10.555	362	7/1/2020 - 6/30/2021	23,036	-	23,036	23,036	-
Total Child Nutrition Cluster				302,671	45,566	338,928	338,928	81,823
Total U.S. Department of Agriculture				302,671	45,566	338,928	338,928	81,823
Total Expenditures of Federal Awards				\$ 2,802,954	\$ 381,783	\$ 3,226,124	\$ 3,226,124	\$ 804,953

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 of 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

	<u>At June 30, 2021</u>	<u>At June 30, 2020</u>
Federal subsidies receivable	\$ 596,289	\$ 151,097
Included in deferred revenue	(70,660)	-0-
Included in due from local governments	279,324	230,686
Total Accrued Revenue	\$ 804,953	\$ 381,783

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:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555

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
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, 2021, 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 17, 2021. 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.

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 the Organization'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 may exist that have not been identified.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 17, 2021

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
Mariana Bracetti Academy Charter School
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** compliance with the types of compliance requirements described 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, 2021. **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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** compliance.

Opinion on Each Major Federal Program

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 its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **MARIANA BRACETTI ACADEMY CHARTER SCHOOL'S** 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 17, 2021

**MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

A. SUMMARY OF AUDITORS' RESULTS

1. The Auditors' 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 Auditors' 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:
 - COVID-19 Relief Funding – Elementary and Secondary School Emergency Relief Fund #84.425D
 - IDEA Part B – Special Education Grants to States #84.027
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. **MARIANA BRACETTI ACADEMY CHARTER SCHOOL** was determined to be a low risk auditee.

MARIANA BRACETTI ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
JUNE 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.