

FREIRE CHARTER SCHOOL

FINANCIAL STATEMENTS

Year Ended June 30, 2025

INTRODUCTORY SECTION

FREIRE CHARTER SCHOOL

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FREIRE CHARTER SCHOOL

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Freire Charter School
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Freire Charter School, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Freire Charter School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Freire Charter School, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freire Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freire Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Freire Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Freire Charter School's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedule of the school's proportionate share of the PSERS net other postemployment benefit plan liability, schedule of the school's PSERS other postemployment benefit plan contributions, schedule of the school's proportionate share of the PSERS net pension liability, and schedule of the school's PSERS pension contributions to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Freire Charter School
Philadelphia, Pennsylvania

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2025 on our consideration of Freire 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 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 Freire Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

New Castle, Delaware
November 4, 2025

FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

The Freire Charter School (the "School") is pleased to present to readers of the financial statements of the School this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview is an introduction to the School's basic financial statements. The School's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The audit report also contains other supplementary information in addition to the basic financial statements themselves.

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 (page 13) 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 useful indicators as to whether the financial position of the School is improving or deteriorating.

The Statement of Activities (page 14) 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 fiscal periods.

- The net position of the School at June 30, 2025 is \$2,348,750. This is net of the School's estimated share of the Pennsylvania Public School Employees' Retirement System (PSERS) Pension, Other Post-Employment Benefits (OPEB) liabilities and deferred inflows and outflows of resources of \$3,661,000. Without the School's share of these items, the School's net position is \$6,009,750, representing an increase of \$192,600 from the year ended June 30, 2024.

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the General Fund. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts that the School uses to keep track of specific sources of funding and spending for a particular purpose. The General Fund falls into the governmental category.

FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

- ***Governmental Funds*** - The School's basic services are reported in a Governmental Fund, which focuses on how cash flows into and out of the fund and the balances left at year-end that are available for future spending. The Governmental Fund financial statements provide a detailed, short-term view of the School's operations and the services it provides. Governmental Fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided to explain the differences between the Governmental Fund Balance Sheet and the Statement of Net Position (page 16) and between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (page 18). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets available to satisfy current liabilities.

At June 30, 2025, the School reported an ending governmental funds balance of \$2,209,377, representing an increase of \$241,212 from June 30, 2024.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 19 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget, the Schedule of the School's proportionate share of the net Other Post-Employment Benefits (OPEB) liability, as well as the Schedule of the School's proportionate share of the net pension liability. The required supplementary information can be found on pages 44 through 49.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School as a whole and about its activities to help answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by private sector corporations. All of the current year revenue and expenses are taken into consideration regardless of when cash is received or paid.

The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions to arrive at a conclusion regarding the overall health of the School.

FREIRE CHARTER SCHOOL**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED JUNE 30, 2025****Condensed Statements of Net Position
June 30, 2025 and 2024**

	Governmental Activities		
	2025	2024	Variance
ASSETS			
Current assets	\$ 4,518,607	\$ 4,307,888	\$ 210,719
Noncurrent assets	12,508,335	13,119,412	(611,077)
TOTAL ASSETS	<u>17,026,942</u>	<u>17,427,300</u>	<u>(400,358)</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>402,000</u>	<u>635,000</u>	<u>(233,000)</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,428,942</u>	<u>\$ 18,062,300</u>	<u>\$ (633,358)</u>
LIABILITIES			
Current liabilities	\$ 2,977,441	\$ 2,951,260	\$ 26,181
Long-term liabilities	11,135,751	12,036,890	(901,139)
TOTAL LIABILITIES	<u>14,113,192</u>	<u>14,988,150</u>	<u>(874,958)</u>
DEFERRED INFLOWS OF RESOURCES	<u>967,000</u>	<u>1,378,000</u>	<u>(411,000)</u>
NET POSITION			
Net investment in capital assets	3,849,445	3,900,744	(51,299)
Unrestricted	(1,500,695)	(2,204,594)	703,899
TOTAL NET POSITION	<u>2,348,750</u>	<u>1,696,150</u>	<u>652,600</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 17,428,942</u>	<u>\$ 18,062,300</u>	<u>\$ (633,358)</u>

The net investment in capital assets component of the School's net position as of June 30, 2025 is \$3,849,445, and is reflected as invested in capital assets (e.g., furniture, equipment and others), less any debt outstanding that was needed to acquire or construct the assets. There was \$8,658,890 in outstanding debt relating to the acquisition of capital assets at June 30, 2025.

FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

Condensed Statements of Changes in Net Position **Years Ended June 30, 2025 and 2024**

	Governmental Activities		
	2025	2024	Variance
REVENUES			
Local educational agencies	\$ 18,900,884	\$ 16,313,026	\$ 2,587,858
Other local sources	649,099	235,390	413,709
State sources	505,131	254,033	251,098
Federal sources	2,688,333	5,083,547	(2,395,214)
TOTAL REVENUES	<u>22,743,447</u>	<u>21,885,996</u>	<u>857,451</u>
EXPENSES			
Instructional programs	11,777,155	11,193,387	583,768
Pupil personnel services	1,084,141	1,229,393	(145,252)
Administrative services	2,833,829	3,132,726	(298,897)
Pupil health	181,293	53,780	127,513
Business services	151,489	365,070	(213,581)
Operation and maintenance of plant services	2,524,929	2,527,464	(2,535)
Other support services	2,372,195	1,916,031	456,164
Student activities	518,679	542,037	(23,358)
Interest expense	647,137	685,845	(38,708)
TOTAL EXPENSES	<u>22,090,847</u>	<u>21,645,733</u>	<u>445,114</u>
Excess (deficiency) before special and extraordinary items, and transfers	652,600	240,263	412,337
EXTRAORDINARY ITEM			
Insurances recoveries	<u>-</u>	<u>1,462,471</u>	<u>(1,462,471)</u>
CHANGE IN NET POSITION	652,600	1,702,734	(1,050,134)
NET POSITION AT BEGINNING OF YEAR	<u>1,696,150</u>	<u>(6,584)</u>	<u>1,702,734</u>
NET POSITION AT END OF YEAR	<u>\$ 2,348,750</u>	<u>\$ 1,696,150</u>	<u>\$ 652,600</u>

The School's change in net position for the fiscal year is \$652,600.

Instructional programs expense increased by approximately \$600k from the fiscal year 2024. The school incurred more costs due mainly to higher enrollment in fiscal year 2025. Part of this increase in expenses was offset by the increase in the capitation rates for regular and special education.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUND

Governmental Fund

General Fund - Comparison to Prior Year and to Budget - The General Fund is the School's operating fund. At the end of fiscal year 2025, the fund balance was \$2,209,377.

FREIRE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2025

The following schedule presents General Fund revenues and expenditures for 2025 compared to budget.

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Local educational agencies	\$ 17,486,000	\$ 17,486,000	\$ 18,900,884	\$ 1,414,884
Other local sources	420,000	420,000	649,099	229,099
State sources	236,000	236,000	505,131	269,131
Federal sources	2,692,500	2,692,500	2,688,333	(4,167)
TOTAL REVENUES	20,834,500	20,834,500	22,743,447	1,908,947
EXPENDITURES				
Instruction	10,760,956	10,760,956	11,429,098	(668,142)
Support services	8,552,846	8,552,846	8,514,143	38,703
Non-instructional services	903,641	903,641	518,679	384,962
Capital outlay	425,000	425,000	833,676	(408,676)
Debt service	141,619	141,619	1,206,639	(1,065,020)
TOTAL EXPENDITURES	20,784,062	20,784,062	22,502,235	(1,718,173)
NET CHANGE IN FUND BALANCE	50,438	50,438	241,212	190,774
FUND BALANCE AT BEGINNING OF YEAR	1,968,165	1,968,165	1,968,165	-
FUND BALANCE AT END OF YEAR	\$ 2,018,603	\$ 2,018,603	\$ 2,209,377	\$ 190,774

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget contained \$20,834,500 of revenues and \$20,784,062 of expenditures. The actual results reflect revenues of \$1,908,947 over budget and expenditures of \$1,718,173 over budget.

- Local educational agencies revenues exceeded the budget by approximately \$1.4M. The School District of Philadelphia increased their capitation rates by approximately 10% for general education and 9% for special education.
- Instructional expenses exceeded the budget by approximately \$668,000. This increase in expenditures is primarily due to higher enrollment in fiscal year 2025.
- Non-instructional services were below budget by approximately \$385,000. After school and other student activities, although in line with prior year activity, were limited and did not reach anticipated levels. This is a trend that has continued since the pandemic.
- Capital expenditures were approximately \$409,000 over budget. The School experienced several unforeseen situations such as a flooding damages and mold. The School also front loaded some FY26 capital expenses in FY25.

FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, the School had invested \$12,508,335, net of accumulated depreciation and amortization, in its capital assets.

	Governmental Activities	
	2025	2024
Construction in progress	\$ 696,954	\$ 573,110
Leasehold improvements	8,060,489	7,597,787
Furniture and equipment	2,032,380	1,780,422
Accumulated depreciation	(5,173,522)	(4,397,770)
Right to use asset	9,575,498	9,575,498
Accumulated amortization	(2,683,464)	(2,012,598)
	<u>\$ 12,508,335</u>	<u>\$ 13,116,449</u>

Major capital asset events during the 2025 fiscal year included the following:

- \$200K in various IT equipment at the High School and Middle School
- \$400k in science lab construction at the Middle School

Additional information regarding the School's capital assets is contained in Note D to the financial statements.

FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

Long-Term Debt

At the end of the current fiscal year, the School had a note payable outstanding of \$787,669, representing a decrease of \$80,645 from the year ended June 30, 2024. Note payable debt consists of one loan that was used to fund leasehold improvements at the school's Market Street location. The loan matures on August 1, 2032.

The School has Long-Term Debt related to its right to use lease assets of \$7,871,221 as of June 30, 2025. See footnote E for further information.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances to its various stakeholders and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Nathan Yufer, Chief Financial Officer, Freire Schools Collaborative, 1617 JFK Boulevard, Suite 580, Philadelphia, PA 19103.

FREIRE CHARTER SCHOOL

STATEMENT OF NET POSITION

JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash	\$ 3,527,366
Due from other governments	872,793
Prepaid expenses	118,448
Capital assets	
Construction in progress	696,954
Leasehold improvements	8,060,489
Furniture and equipment	2,032,380
Less accumulated depreciation	(5,173,522)
Right to use asset	9,575,498
Less accumulated amortization	(2,683,464)
TOTAL ASSETS	<u>17,026,942</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, other postemployment benefits	20,000
Deferred outflows of resources, pension activity	382,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>402,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,428,942</u>
LIABILITIES	
Accounts payable	\$ 1,083,547
Accrued salary and benefits	601,773
Other accrued expenses	623,910
Long-term obligations	
Due within one year	
Notes payable	86,759
Interest payable, lease liability	49,072
Lease liabilities	532,380
Due beyond one year	
Notes payable	700,910
Lease liabilities	7,338,841
Net OPEB liability	124,000
Net pension liability	2,972,000
TOTAL LIABILITIES	<u>14,113,192</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, other postemployment benefits	87,000
Deferred inflows of resources, pension activity	880,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>967,000</u>
NET POSITION	
Net investment in capital assets	3,849,445
Unrestricted	(1,500,695)
TOTAL NET POSITION	<u>2,348,750</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 17,428,942</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Instructional programs	\$ 11,777,155	\$ -	\$ 1,334,306	\$ -	\$ (10,442,849)
Support services					
Pupil personnel services	1,084,141	-	868,885	-	(215,256)
Administrative services	2,833,829	-	233,712	-	(2,600,117)
Pupil health services	181,293	-	163,056	-	(18,237)
Business services	151,489	-	3,037	-	(148,452)
Operation and maintenance of plant services	2,524,929	-	266,017	-	(2,258,912)
Other support services	2,372,195	-	-	-	(2,372,195)
Operation of non-instructional services					
Student activities	518,679	-	451,517	-	(67,162)
Interest on long term debt	647,137	-	-	-	(647,137)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 22,090,847	\$ -	\$ 3,320,530	\$ -	(18,770,317)
GENERAL REVENUES					
Local educational agencies					18,900,884
Grants and contributions not restricted to specific programs					201,115
Miscellaneous					320,918
TOTAL GENERAL REVENUES					19,422,917
CHANGE IN NET POSITION					652,600
NET POSITION AT BEGINNING OF YEAR					1,696,150
NET POSITION AT END OF YEAR					\$ 2,348,750

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2025

	General Fund
ASSETS	
Cash	\$ 3,527,366
Due from other governments	872,793
Prepaid expenses	<u>118,448</u>
TOTAL ASSETS	<u>\$ 4,518,607</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 1,083,547
Accrued salaries and benefits	601,773
Other current liabilities	<u>623,910</u>
TOTAL LIABILITIES	<u>2,309,230</u>
FUND BALANCES	
Nonspendable - prepaid expenses	118,448
Unassigned	<u>2,090,929</u>
TOTAL FUND BALANCES	<u>2,209,377</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,518,607</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2025

TOTAL GOVERNMENTAL FUNDS BALANCE	\$ 2,209,377
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Total net position reported for governmental activities in the statement of net position is different because:

Long-term liabilities that pertain to the governmental funds, including interest payable, lease liability, notes payable, net OPEB liability and net pension liability, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:

Interest payable, lease liability	\$ (49,072)	
Lease liability	(7,871,221)	
Notes payable	(787,669)	
Net OPEB liability	(124,000)	
Net pension liability	<u>(2,972,000)</u>	
		(11,803,962)

Capital assets and right to use leased assets used in the governmental funds are not financial resources and, therefore, are not reported in the governmental funds. Those assets consists of:

Construction in progress	696,954	
Leasehold improvements	8,060,489	
Furniture and equipment	2,032,380	
Less accumulated depreciation	(5,173,522)	
Right to use leased assets	9,575,498	
Less accumulated amortization	<u>(2,683,464)</u>	
		12,508,335

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and , therefore, are not reported in the governmental funds. Balances at year-end are:

Deferred outflows of resources related to OPEB	20,000	
Deferred inflows of resources related to OPEB	(87,000)	
Deferred outflows of resources related to pensions	382,000	
Deferred inflows of resources related to pensions	<u>(880,000)</u>	
		<u>(565,000)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,348,750</u></u>
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See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>
REVENUES	
Local educational agencies	\$ 18,900,884
Other local sources	649,099
State sources	505,131
Federal sources	2,688,333
TOTAL REVENUES	<u>22,743,447</u>
EXPENDITURES	
Instruction	11,429,098
Support services	8,514,143
Non-instructional services	518,679
Capital outlay	833,676
Debt service	
Principal	556,801
Interest	649,838
TOTAL EXPENDITURES	<u>22,502,235</u>
NET CHANGE IN FUND BALANCE	241,212
FUND BALANCE AT BEGINNING OF YEAR	<u>1,968,165</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,209,377</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2025

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	241,212
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Amounts reported for governmental activities in the statement of activities are different because:

The governmental funds report note and lease proceeds as financing sources, while repayment of note and lease principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. The net effect of these differences in the treatment of notes payable is as follows:

Repayments of notes payable principal	80,645
Repayments of lease liability principal	476,170
Change in interest payable	2,687

The governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or as amortization expense for right to use lease assets, as follows:

Capital outlay	\$	838,504	
Depreciation expense		(775,752)	
Amortization expense		<u>(670,866)</u>	
			(608,114)

The governmental funds report pension contributions as expenditures. However, in the statement of activities, these contributions reduce the net pension liability.

437,000

The governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, these contributions reduce the net OPEB liability.

23,000

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>652,600</u></u>
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See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Freire Charter School (the "School") was formed in 1999 as a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School operates a charter school in Philadelphia, Pennsylvania, under an approved charter received from the Philadelphia School District, acting pursuant to authority conferred under the Public School Code of 1949, as amended by Act 22 of 1997, the Charter School Law, 24 P.S. Sections 17-1701-A et. seq. and is operating under a charter school contract effective July 1, 2013. The School is located in Philadelphia, Pennsylvania and services children in grades 5 through 12.

The mission of the School is to provide a college-preparatory learning experience with a focus on individual freedom, critical thinking, and problem solving in an environment that emphasizes the values of community, teamwork, and nonviolence.

The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent Board of Directors. In Pennsylvania, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes and do not receive state or local school district funding for capital facilities. To encourage innovation, charter schools operate free from some state laws and regulations.

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

Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements present the activities of the School. The School is not a component unit of another reporting entity. The GASB established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School's financial reporting entity are financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based upon the above criteria, the School does not have any component units for which it is considered to be financially accountable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. The government-wide financial statements report net position in three separate components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted for specific programs when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted for specific programs."

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for the Governmental Funds.

Measurement Focus. Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported 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 related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: (1) charges to students for special fees, materials, supplies, or services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include billings to school districts.

The 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 both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Billings to the School Districts 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 and available only when the School receives cash.

The School reports the following major governmental funds:

- General Fund - The general fund is the operating fund of the School and accounts for all operating revenues and expenditures of the School.

Cash and Cash Equivalents

The School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. There are no restrictions on withdrawals.

Investments and Fair Value Measurement

Investments are reported at fair value, which is determined by quoted market prices. The School follows GASB Statement No. 72, Fair Value Measurement and Application. Under Statement No. 72, the School categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Accounts Receivable

Accounts receivable are stated at their net realizable values. Accounts receivable do not bear interest. There was no allowance for uncollectable receivables at June 30, 2025.

Prepaid Expenses

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

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The School's capital assets, which include leasehold improvements, furniture and equipment, and software as well as leased assets, are reported in the government-wide financial statements. The School defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	5-20
Furniture and equipment	3-10

Right of Use Assets

The School has recorded right of use lease assets as a result of implementing GASB 87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the leased asset into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, right to use assets, net of accumulated amortization, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School applies restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category; deferred outflows related to pension activities and deferred outflows related to OPEB activities. These amounts are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualify for reporting in this category; deferred inflows related to pension activities and deferred inflows related to Other Post-Employment Benefits activities. These items are reported only in the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Long-Term Lease Liabilities

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term lease liabilities are shown net of the interest portion and are based on the net present value of future minimum lease payments. The interest portion is determined using either an implicit or estimated discount rate, depending on the lease.

In the fund financial statements, an amount equal to the lease liability is reported as other financing sources with an equal amount reported as a capital outlay in the year of lease inception.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

In the fund financial statements, the Governmental Fund presents fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the Governmental Fund can be spent.

The classifications used in the Governmental Fund financial statements are as follows:

- ***Nonspendable*** - This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. The School had a nonspendable fund balance of \$118,448 as of June 30, 2025.
- ***Restricted*** - This classification would include amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School did not have any restricted resources as of June 30, 2025.
- ***Committed*** - This classification would include amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the School. Commitments cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (formal vote of the Board of Directors) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2025.
- ***Assigned*** - This classification would include amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School management through the budgetary process. The School did not have any assigned fund balance as of June 30, 2025.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Unassigned** - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions and Other Postemployment Benefits

The School follows Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under Statements Nos. 68, 71 and 75, for purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, pension expense and other postemployment benefit expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/ deductions from the PSERS's fiduciary net position have been determined on the same basis as they are reported by the PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Budgets and Budgetary Accounting

The School adopts an annual budget on a basis consistent with GAAP for the governmental funds. The School is required to present the adopted and final budgeted revenues and expenditures for the governmental funds that were filed and accepted by the PA Labor, Education and Community Services Comptroller's Office. The General Fund budget appears on page 44.

Income Tax

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository banks. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. At year end, the total carrying amount of the School's checking, savings and money market deposits was \$3,527,366, and the corresponding bank balance was \$3,518,743. Of the bank balance, \$250,000 was covered by federal depository insurance; \$3,268,743 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and uncollateralized.

Reconciliation to the financial statements:

Cash exposed to custodial risk	\$ 3,268,743
Plus insured amount	250,000
Plus deposit in transit	<u>8,623</u>
	<u>\$ 3,527,366</u>

NOTE C - RECEIVABLES

Receivables at June 30, 2025, consisted of subsidies from federal, state, and local authorities. All receivables are considered collectible due to the stable condition of the federal, state and local programs.

A summary of receivables is as follows:

	<u>Amount</u>
Federal	\$ 414,993
State	193,921
Local	<u>263,879</u>
	<u>\$ 872,793</u>

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE D - CAPITAL ASSETS, NET

Capital asset activity for governmental activities for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated				
Construction in progress	\$ 573,110	\$ 402,630	\$ (278,786)	\$ 696,954
Total capital assets not being depreciated	573,110	402,630	(278,786)	696,954
Capital assets being depreciated				
Leasehold improvements	7,597,787	462,702	-	8,060,489
Furniture and equipment	1,780,422	251,958	-	2,032,380
Right to use assets	9,575,498	-	-	9,575,498
Total capital assets being depreciated	18,953,707	714,660	-	19,668,367
Less: accumulated depreciation	(4,397,770)	(775,752)	-	(5,173,522)
Less: accumulated amortization	(2,012,598)	(670,866)	-	(2,683,464)
Capital assets, net	\$ 13,116,449	\$ (329,328)	\$ (278,786)	\$ 12,508,335

Depreciation and amortization expense was \$1,446,618 for the year ended June 30, 2025, and is allocated to instructional services in the accompanying statement of activities.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE E - LEASE LIABILITIES

The School has entered into agreements to lease educational facilities. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of implementation.

The School has leased three separate facilities for educational services as follows:

- 2025-2027 Chestnut Street, Philadelphia, PA requires monthly payments of \$21,000. The lease was entered into on January 14, 2010, with an end date of April 14, 2049.
- 1026-1044 Market Street, Philadelphia, PA requires payments ranging from \$375,000 to \$721,524. The lease was entered into on September 1, 2012, with an end date of August 31, 2032.
- 2017-2023 Chestnut Street, Philadelphia, PA the lease requires payments ranging from \$12,645 to \$15,792. The lease was entered into on April 15, 2015, with an end date of June 30, 2035.

The School has implemented GASB 87 as of July 1, 2021. The lease liabilities are measured as of that date at a discount rate of 7.33%, which has been determined to be the School's incremental borrowing rate. As a result of the leases, the School has recorded a right to use asset with a net book value of \$6,892,034 on June 30, 2025.

The future minimum lease obligations under the lease at June 30, 2025, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 532,380	\$ 553,961	\$ 1,086,341
2027	575,666	514,937	1,090,603
2028	640,021	472,741	1,112,762
2029	691,367	425,827	1,117,194
2030	765,091	375,150	1,140,241
2031-2035	2,499,895	1,146,099	3,645,994
2036-2040	556,722	703,278	1,260,000
2041-2045	792,947	467,053	1,260,000
2046-2049	817,132	148,869	966,001
	<u>\$ 7,871,221</u>	<u>\$ 4,807,915</u>	<u>\$ 12,679,136</u>

Interest expense related to lease liabilities was \$588,864 for the year ended June 30, 2025.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE F - LONG-TERM DEBT

The School has a construction loan that bears interest at a fixed rate of 7.33% and matures on August 1, 2032. Principal and interest payments of \$11,802 are due monthly through the maturity date. Annually, the School is required to maintain an occupancy coverage ratio of not less than 1.2 to 1.0 and cash on hand in excess of 30 days of average daily expenses. The School met these financial covenants for the year ended June 30, 2025.

The minimum principal and interest payments on the long-term debt at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 86,759	\$ 54,860	\$ 141,619
2027	93,337	48,282	141,619
2028	100,413	41,206	141,619
2029	108,025	33,593	141,618
2030	116,215	25,404	141,619
2031-2033	282,920	23,922	306,842
	<u>\$ 787,669</u>	<u>\$ 227,267</u>	<u>\$ 1,014,936</u>

Following are changes in long-term debt for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Amount Due in One Year
Construction loan (refinance)	\$ 868,314	\$ -	\$ (80,645)	\$ 787,669	\$ 86,759
Lease liabilities	8,347,391	-	(476,170)	7,871,221	532,380
Net OPEB liability	130,000	-	(6,000)	124,000	-
Net pension liability	3,248,000	-	(276,000)	2,972,000	-
	<u>\$ 12,593,705</u>	<u>\$ -</u>	<u>\$ (838,815)</u>	<u>\$ 11,754,890</u>	<u>\$ 619,139</u>

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE G - EMPLOYEE BENEFIT PLAN

The School maintains a 403(b) plan whereby, upon achieving minimum eligibility requirements, employees may elect to make voluntary contributions pursuant to a salary reduction agreement. The School provides a discretionary nonelective contribution under the plan. The School's contributions to the plan for the year ended June 30, 2025, amounted to \$411,962.

NOTE H - RELATED-PARTY TRANSACTIONS

Academic and Business Services

On June 10, 2015, the School entered into an Academic and Business Services Agreement with Freire Schools Collaborative. The agreement ends on the expiration of the current Freire Charter. Under the terms of the agreement, Freire Schools Collaborative provides academic and business services for a fee equal to an agreed upon percentage of federal, state, and local revenues that the School receives, directly or indirectly, for students enrolled in the School. As of January 1, 2024, the fee has been increased to 11.5%. Fees paid under this agreement during the year ended June 30, 2025, totaled \$2,346,953.

Lease Agreement

The property located at 2025-2027 Chestnut Street in Philadelphia, PA is owned by the Redevelopment Authority of Philadelphia and is leased by Freire Foundation under a master lease agreement. The School guarantees debt held by Freire Foundation and is considered a related party.

Contingencies

The School has guaranteed all of the debt of Freire Foundation. The balance guaranteed by the School totaled \$2,315,533 at June 30, 2025.

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they participate in the Health Option Program (HOP) or employer-sponsored health insurance program and 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

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

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

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$6,000 for the year ended June 30, 2025.

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

At June 30, 2025, the School reported a liability of \$124,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2023 to June 30, 2024. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the School's proportion was 0.0070% percent, which was a decrease of 0.0002% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the School recognized OPEB income of \$17,000. At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 2,000
Changes in assumptions	8,000	19,000
Changes in proportions	6,000	66,000
Contributions subsequent to the measurement date	<u>6,000</u>	<u>-</u>
	<u>\$ 20,000</u>	<u>\$ 87,000</u>

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

\$6,000 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (11,900)
2027	(11,900)
2028	(11,900)
2029	(11,900)
2030	(11,900)
Thereafter	<u>(13,500)</u>
	<u>\$ (73,000)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality rates were based on Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

The OPEB plan's policy 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	<u>1.7%</u>

The above was 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, 2024.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.21%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.21% which represents the S&P 20 year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the School's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year and 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the School's proportionate share of the net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what the School's proportionate share of the net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
The School's proportionate share of the net OPEB liability	\$ <u>124,000</u>	\$ <u>124,000</u>	\$ <u>124,000</u>

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE I - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
The School's proportionate share of the net OPEB liability	\$ <u>140,000</u>	\$ <u>124,000</u>	\$ <u>111,000</u>

OPEB Plan Fiduciary Net Position

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

NOTE J - PENSION PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing 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 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.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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. Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service. Benefits are generally equal to 1% 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.

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.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

Contributions

Members 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 services 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 the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.
- Members who joined the System after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. All new hires after June 30, 2019, who elect Class T-H membership, contribute at 7.50% (base rate) of the member's qualifying compensation. Membership Class T-G and Class T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-G contribution rate to fluctuate between 5.5% and 8.5% and the Membership Class T-H contribution rate to fluctuate between 4.5% and 7.5%.
- All new hires after June 30, 2019, who elect Class DC membership, contribute at 7.50% (base rate) of the member's qualifying compensation.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2025, was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School were \$310,000 for the year ended June 30, 2025.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

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

At June 30, 2025, the School reported a liability of \$2,972,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024. The School's proportion 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, 2025, the School's proportion was 0.0071%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the School recognized pension income of \$127,000. At June 30, 2025, 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
Difference between expected and actual experience	\$ -	\$ 47,000
Net difference between projected and actual investment earnings	49,000	-
Changes in proportions	-	833,000
Difference between employer contributions and proportionate share of total contributions	23,000	-
Contributions subsequent to the measurement date	310,000	-
	<u>\$ 382,000</u>	<u>\$ 880,000</u>

\$310,000 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ (204,550)
2027	(204,550)
2028	(204,550)
2029	(204,150)
2030	9,800
	<u>\$ (808,000)</u>

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.50%
- Salary growth - effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00%.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSER' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future 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.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public entity	30.0%	4.8%
Private equity	12.0%	6.7%
Fixed income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure/MLPs	10.0%	6.4%
Real estate	9.5%	5.9%
	<u>100.0%</u>	

The above was 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, 2024.

Discount Rate

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

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE J - PENSION PLAN (Continued)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the discount rate

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
The School's proportionate share of the net pension liability	\$ <u>3,915,000</u>	\$ <u>2,972,000</u>	\$ <u>2,175,000</u>

Pension Plan Fiduciary Net Position

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

NOTE K - RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in the year presented.

NOTE L - COMMITMENTS AND CONTINGENCIES

The School receives federal, state and local funding under a number of programs. Payments made by those sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent audits are recognized in the year in which the results of such audits become known. The School's management does not expect any significant adjustment as a result of these audits. The School is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School.

The School's charter is granted by the School District of Philadelphia and is subject to review by the School District. If the status of the charter or the funding from the School District were to change, this could have a material impact on the financial position of the School.

FREIRE CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

NOTE M - LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)

The School receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

Charter schools are funded by the local public school district. For each non-special education student enrolled, the charter school receives no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2025, the rate was \$12,709 per year per student and an additional \$27,203 for special education students. During the 2024-2025 school year, the school averaged 675 students and 245 special education students. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$18,900,884 for the year ended June 30, 2025.

NOTE N - LITIGATION

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School. No provision for any claims and litigation are recognized in the financial statements as of June 30, 2025.

NOTE O - ECONOMIC DEPENDENCY

School revenues that constitute in excess of 10% of total revenues are comprised of the following:

Charges to school districts	83%
Federal Support	12%

REQUIRED SUPPLEMENTARY INFORMATION

FREIRE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Local educational agencies	\$ 17,486,000	\$ 17,486,000	\$ 18,900,884	\$ 1,414,884
Other local sources	420,000	420,000	649,099	229,099
State sources	236,000	236,000	505,131	269,131
Federal sources	2,692,500	2,692,500	2,688,333	(4,167)
TOTAL REVENUES	<u>20,834,500</u>	<u>20,834,500</u>	<u>22,743,447</u>	<u>1,908,947</u>
EXPENDITURES				
Instruction	10,760,956	10,760,956	11,429,098	(668,142)
Support services	8,552,846	8,552,846	8,514,143	38,703
Non-instructional services	903,641	903,641	518,679	384,962
Capital outlay	425,000	425,000	833,676	(408,676)
Debt service	141,619	141,619	1,206,639	(1,065,020)
TOTAL EXPENDITURES	<u>20,784,062</u>	<u>20,784,062</u>	<u>22,502,235</u>	<u>(1,718,173)</u>
NET CHANGE IN FUND BALANCE	50,438	50,438	241,212	190,774
FUND BALANCE AT BEGINNING OF YEAR	<u>1,968,165</u>	<u>1,968,165</u>	<u>1,968,165</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,018,603</u>	<u>\$ 2,018,603</u>	<u>\$ 2,209,377</u>	<u>\$ 190,774</u>

See accompanying note to the budgetary comparison schedule.

FREIRE CHARTER SCHOOL

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2025

NOTE A - BUDGETARY INFORMATION

An annual budget is adopted for the General Fund using the modified accrual basis of accounting. The budgetary comparison schedule of the General Fund presents the budget filed with and accepted by the Pennsylvania Department of Education as its budgeted amounts. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the School prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
4. The budget must be filed with the Pennsylvania Department of Education by July 31.

The budget is controlled by the School's Business Administrator at the revenue and expenditure function/object level. Budgeted amounts are updated once state government passes final tuition rates. The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

As part of the formal budgetary control, purchase orders, contracts and other commitments from the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for the Governmental Fund. A reserve for encumbrances is not reported on the government-wide financial statements.

Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School's. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School's.

For the year ended June 30, 2025, the school's actual expenditures exceeded budgeted expenditures by (\$1,718,173). These excesses were funded through higher than anticipated revenues and cash reserves.

FREIRE CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST EIGHT FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017
School's proportion of the net OPEB liability	<u>0.0070%</u>	<u>0.0072%</u>	<u>0.0102%</u>	<u>0.0112%</u>	<u>0.0107%</u>	<u>0.0120%</u>	<u>0.0130%</u>	<u>0.0133%</u>
School's proportionate share of the net OPEB liability	<u>\$ 124,000</u>	<u>\$ 130,000</u>	<u>\$ 188,000</u>	<u>\$ 266,000</u>	<u>\$ 231,000</u>	<u>\$ 255,000</u>	<u>\$ 271,000</u>	<u>\$ 271,000</u>
School's covered payroll	<u>\$ 1,117,881</u>	<u>\$ 1,102,917</u>	<u>\$ 1,496,298</u>	<u>\$ 1,599,523</u>	<u>\$ 1,498,176</u>	<u>\$ 1,654,394</u>	<u>\$ 1,753,509</u>	<u>\$ 1,765,266</u>
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>11.09%</u>	<u>11.79%</u>	<u>12.56%</u>	<u>16.63%</u>	<u>15.42%</u>	<u>15.41%</u>	<u>15.45%</u>	<u>15.35%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>7.13%</u>	<u>7.22%</u>	<u>6.86%</u>	<u>5.30%</u>	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NOTES TO SCHEDULE

The School's covered payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

FREIRE CHARTER SCHOOL**SCHEDULE OF THE SCHOOL'S PSERS OTHER POSTEMPLOYMENT****BENEFIT PLAN CONTRIBUTIONS****LAST EIGHT FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 6,000	\$ 8,000	\$ 8,000	\$ 13,000	\$ 13,000	\$ 13,000	\$ 14,000	\$ 14,000
Contributions in relation to the contractually required contribution	<u>6,000</u>	<u>8,000</u>	<u>8,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>14,000</u>	<u>14,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's covered payroll	\$ <u>941,677</u>	\$ <u>1,117,881</u>	\$ <u>1,102,917</u>	\$ <u>1,496,298</u>	\$ <u>1,599,523</u>	\$ <u>1,498,176</u>	\$ <u>1,654,394</u>	\$ <u>1,753,509</u>
Contribution as a percentage of covered payroll	<u>0.64%</u>	<u>0.72%</u>	<u>0.73%</u>	<u>0.87%</u>	<u>0.81%</u>	<u>0.87%</u>	<u>0.85%</u>	<u>0.80%</u>

NOTE TO SCHEDULE

- 47 - This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

FREIRE CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE PSERS NET PENSION LIABILITY LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	<u>0.0071%</u>	<u>0.0073%</u>	<u>0.0102%</u>	<u>0.0113%</u>	<u>0.0107%</u>	<u>0.0120%</u>	<u>0.0130%</u>	<u>0.0133%</u>	<u>0.0178%</u>	<u>0.0223%</u>
School's proportionate share of the net pension liability	\$ <u>2,972,000</u>	\$ <u>3,248,000</u>	\$ <u>4,535,000</u>	\$ <u>4,639,000</u>	\$ <u>5,269,000</u>	\$ <u>5,614,000</u>	\$ <u>6,241,000</u>	\$ <u>6,569,000</u>	\$ <u>8,821,000</u>	\$ <u>9,659,000</u>
School's covered payroll	\$ <u>1,117,881</u>	\$ <u>1,102,917</u>	\$ <u>1,496,298</u>	\$ <u>1,599,523</u>	\$ <u>1,498,176</u>	\$ <u>1,654,394</u>	\$ <u>1,753,509</u>	\$ <u>1,765,266</u>	\$ <u>2,299,533</u>	\$ <u>2,872,266</u>
School's proportionate share of the net pension liability as a percentage of its covered payroll	<u>265.86%</u>	<u>294.49%</u>	<u>303.08%</u>	<u>290.02%</u>	<u>351.69%</u>	<u>339.34%</u>	<u>355.91%</u>	<u>372.13%</u>	<u>383.60%</u>	<u>336.29%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>64.63%</u>	<u>61.85%</u>	<u>61.34%</u>	<u>63.67%</u>	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>

NOTE TO SCHEDULE

The School's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015).

FREIRE CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PSERS PENSION CONTRIBUTIONS LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 310,000	\$ 396,000	\$ 373,000	\$ 511,000	\$ 536,000	\$ 500,000	\$ 539,000	\$ 554,000	\$ 498,000	\$ 584,136
Contributions in relation to the contractually required contribution	<u>310,000</u>	<u>396,000</u>	<u>373,000</u>	<u>511,000</u>	<u>536,000</u>	<u>500,000</u>	<u>539,000</u>	<u>554,000</u>	<u>498,000</u>	<u>438,598</u>
CONTRIBUTION DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>145,538</u>
School District's covered payroll	\$ <u>941,677</u>	\$ <u>1,117,881</u>	\$ <u>1,102,917</u>	\$ <u>1,496,298</u>	\$ <u>1,599,523</u>	\$ <u>1,498,176</u>	\$ <u>1,654,394</u>	\$ <u>1,753,509</u>	\$ <u>1,765,266</u>	\$ <u>2,299,533</u>
Contributions as a percentage of covered payroll	<u>32.92%</u>	<u>35.42%</u>	<u>33.82%</u>	<u>34.15%</u>	<u>33.51%</u>	<u>33.37%</u>	<u>32.58%</u>	<u>31.59%</u>	<u>28.21%</u>	<u>25.40%</u>

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the Board of Directors
Freire Charter School
Philadelphia, Pennsylvania

We have audited, 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, the financial statements of the governmental activities and the major fund of the Freire Charter School as of June 30, 2025, and the related notes to the financial statements, which collectively comprise the Freire Charter School's basic financial statements, and have issued our report thereon dated November 4, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Freire Charter School's internal control over financial reporting (internal control) to determine 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 the Freire Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

To the Board of Directors
Freire Charter School
Philadelphia, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Freire 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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.

Maille LLP

New Castle, Delaware
November 4, 2025