KIPP WEST PHILADELPHIA CHARTER SCHOOL

FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
JUNE 30, 2023

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Contents
June 30, 2023

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

Independent Auditor's Report

To the Board of Trustees of
KIPP West Philadelphia Charter School:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and the general fund of KIPP West Philadelphia Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of KIPP West Philadelphia Charter School as of June 30, 2023, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Information, in the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedules of Proportionate Shares of PSERS Net Pension Liability (NPL) and Contributions and Schedules of Proportionate Shares of PSERS Net OPEB Liability and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

AAFCPAs, Inc.

Westborough, Massachusetts
December 13, 2023

The management of KIPP West Philadelphia Charter School (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-23 fiscal year include the following:

- Total revenues increased by $1,649,645 from $15,260,781 to $16,910,426 due primarily to increases in the local education agencies, Federal sources and other local sources.

- At the close of the current fiscal year, the School's reports ending net position of $(2,761,473). The net position balance represents a decrease in net position of $(1,745,170) for the year ended June 30, 2023.

- At the close of the current fiscal year, the School reports ended general fund balance of $(2,717,706). The general fund balance decreased by $1,579,696 from the previous year-ended general fund balance as the result of the net change in fund balance for the year ended June 30, 2023.

- The School's cash balance at June 30, 2023, was $1,645,903, representing an increase of $426,806 from June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise three components: Management's Discussion and Analysis (this section), the basic financial statements, and budgetary comparison.

Governmental-Wide Financial Statements

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

The statement of net position presents information on the School's assets and liabilities as well as separate sections of deferred outflows of resources and deferred inflows of resources. The difference is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows.

The governmental-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has one governmental fund, the General Fund.

Notes to the Financial Statements

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

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by $1,769,473 as of June 30, 2023.

KIPP West Philadelphia Charter School
Statement of Net Position
As of June 30, 2023 and 2022

	2023	2022
Current and other assets	$ 4,675,795	$ 2,981,135
Capital and noncurrent assets	5,861,303	7,141,823
Total assets	$ 10,537,098	$ 10,122,958
Deferred outflows	$ -	$ 48,496
Current liabilities	$ 7,945,657	$ 4,117,895
Long-term liabilities	4,360,914	5,465,862
Total liabilities	$ 12,306,571	$ 9,583,757
Deferred inflows	$ 992,000	$ 1,604,000
Net invested in capital assets	$ 569,441	$ 951,942
Unrestricted	(3,330,914)	(1,968,245)
Total net position	$ (2,761,473)	$ (1,016,303)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (Continued)

The School's revenues are predominately from the School District of Philadelphia, based on the student enrollment.

KIPP West Philadelphia Charter School
Statement of Activities
As of June 30, 2023 and 2022

	2023	2023
Revenues:		
Local educational agency assistance	$ 11,826,333	$ 12,290,305
Other local sources	625,115	551,688
State sources	129,199	132,054
Federal sources	4,329,779	2,286,734
Total revenues	16,910,426	15,260,781
Expenses:		
Instruction and special education	10,113,340	7,758,993
Student support services	111,056	95,929
Instructional staff support	130,446	153,997
Administration support	2,051,436	1,706,225
Pupil health	206,532	166,821
Transportation	3,683	-
Business services	3,581,755	2,617,114
Operations and maintenance	1,069,936	1,017,971
Student activities	275,192	99,112
Food services	382,979	241,205
Interest	168,937	190,928
Depreciation and amortization (unallocated)	1,295,808	1,237,567
Decrease in net pension deficit	(711,087)	-
Decrease in net OPEB deficit	(24,417)	-
Total expenses	18,655,596	15,285,862
Net decrease in net position	(1,745,170)	(25,081)
Net position - beginning	(1,016,303)	(991,222)
Net position - ending	$ (2,761,473)	$ (1,016,303)

GOVERNMENTAL FUND

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

The School's governmental fund, the General Fund, reported an ending fund balance of $(2,717,706). For the year ended June 30, 2023, the School's revenues of $17,428,903 did not exceed expenditures of $19,008,599 by $1,579,696.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The School's final budget for the general fund anticipated that expenditures would exceed revenues by $929,708. The actual results for the year reflected expenditures exceeding revenues by $1,579,696. This variance reflects a revenue variance of $1,307,218 due to greater than budgeted local educational agency assistance, state sources, and local sources offset by less than budgeted Federal sources. Expenditures were greater than budgeted by $1,957,206 related to greater than budgeted expenditures for all areas except for salaries, purchased services, property, and redemption of principal.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the School's investment in capital assets for its governmental activities totaled $5,861,303 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture and equipment, and right-to-use assets.

Major capital assets purchased during the year include machinery and equipment of $15,287.

Additional information on the School's capital assets can be found in Note 4 of this report.

Long-term debt

As of June 30, 2023, the School has long-term debt of $2,559,162 for lease liability. See Note 5 of this report.

As of June 30, 2023, the School has long-term debt of $1,799,752 for leasehold improvement financing. See Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2023-24 school year, the School will continue to be fully enrolled from K to 8th grade with 854 students. A budgeted increase in regular education per-pupil rate and special education per-pupil tuition rate is expected to be paid to the School by the School District of Philadelphia. As a result, the total per-pupil revenue is expected to increase by 23% to approximately $13,919,512.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

The School expects a modest decrease in per-pupil payment rate in 2023-24 based on current School District budget developments; however, the School is not able to assess the exact financial impact as the students demographics fluctuate throughout the year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, KIPP West Philadelphia Charter School, 5070 Parkside Avenue, Suite 3500D, Philadelphia, PA 19131.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Statement of Net Position
As of June 30, 2023

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 1,645,903
State subsidies receivable	378,417
Federal subsidies receivable	906,649
Due from related parties	1,633,703
Inventory	23,167
Prepaid items and deposits	87,956
Capital assets, net	5,861,303
Total assets	$ 10,537,098
Liabilities:	
Accounts payable	$ 2,634,210
Accrued benefits payable	384,115
Unearned revenue	5,283
Lease liability - due within one year	640,356
Lease liability - due beyond one year	2,559,162
Leasehold improvement financing - due within one year	292,592
Leasehold improvement financing - due beyond one year	1,799,752
Due to related parties	3,989,101
Net OPEB liability	2,000
Total liabilities	12,306,571
Deferred Inflow of Resources:	
Deferred inflows from pension	908,000
Deferred inflows from OPEB	84,000
Total deferred inflows of resources	992,000
Total liabilities and deferred inflow of resources	13,298,571
Net Position:	
Net investment in capital assets	569,441
Unrestricted	(3,330,914)
Total net position	(2,761,473)
Total liabilities, deferred inflow of resources and net position	$ 10,537,098

The accompanying notes are an integral part of these statements.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Expense (Revenue) and Changes in Net Position: Total Governmental Activities
Governmental activities:				
Instruction	$ 10,113,340	$ -	$ 4,329,779	$ (5,783,561)
Student support services	111,056	-	-	(111,056)
Instructional staff support	130,446	-	-	(130,446)
Administration support	2,051,436	-	-	(2,051,436)
Pupil health	206,532	-	-	(206,532)
Transportation	3,683	-	-	(3,683)
Business services	3,581,755	-	-	(3,581,755)
Operations and maintenance	1,069,936	-	-	(1,069,936)
Student activities	275,192	-	-	(275,192)
Food services	382,979	-	-	(382,979)
Interest	168,937	-	-	(168,937)
Depreciation and amortization (unallocated)	1,295,808	-	-	(1,295,808)
Decrease in net pension deficit	(711,087)	-	-	711,087
Decrease in net OPEB deficit	(24,417)	-	-	24,417
Total	$ 18,655,596	$ -	$ 4,329,779	(14,325,817)
General revenues:				
State grants and reimbursements				129,199
Local education agencies, not restricted to specific programs				11,826,333
Other local sources				625,115
Total general revenues				12,580,647
Change in net position				(1,745,170)
Net Position - beginning July 1, 2022				(1,016,303)
Net Position - ending June 30, 2023				$ (2,761,473)

The accompanying notes are an integral part of these statements.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Balance Sheet
Governmental Funds
June 30, 2023

	General Fund
Assets:	
Cash and cash equivalents	$ 1,645,903
State subsidies receivable	378,417
Federal subsidies receivable	906,649
Due from related parties	1,633,703
Inventory	23,167
Prepaid items and deposits	87,956
Total assets	$ 4,675,795
Liabilities, Deferred Inflows of Resources and Fund Balances:	
Liabilities:	
Accounts payable	$ 2,634,210
Accrued benefits payable	384,115
Unearned revenue	5,283
Due to related parties	3,989,101
Total liabilities	7,012,709
Deferred inflows of resources:	
Unavailable revenues	380,792
Fund balances:	
Nonspendable:	
Inventory	23,167
Prepaid items and deposits	87,956
Unassigned	(2,828,829)
Total fund balances	(2,717,706)
Total liabilities, deferred inflows of resources and fund balances	$ 4,675,795

The accompanying notes are an integral part of these statements.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
For the Year Ended June 30, 2023

Total Fund Balance for Governmental Fund - General Fund		$ (2,717,706)
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Leasehold improvements, furniture and equipment and right-to-use lease assets	9,907,321	
Accumulated depreciation and amortization	(4,046,018)	
		5,861,303
Lease liability that pertains to governmental funds is not due and payable in the current period and, therefore, is not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. The balances at year-end are:		
Lease liability	(3,199,518)	
Leasehold improvement financing obligation	(2,092,344)	
		(5,291,862)
Certain Federal and state subsidies receivable will be collected in the future, but are not available to pay for current period's expenditures and, therefore, are not recognized as revenue on the funds:		
Unavailable revenues		380,792
Long-term liabilities that pertain to governmental funds, including net pension obligations, net OPEB liability, deferred outflows and deferred inflows are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Pension		(908,000)
OPEB		(86,000)
Change in Net Position of Governmental Aactivities		$ (2,761,473)

The accompanying notes are an integral part of these statements.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund
Revenues:	
Local educational agency assistance	$ 11,826,333
Federal sources	4,977,455
Other local sources	625,115
Total revenues	17,428,903
Expenditures:	
Instruction and special education	10,113,340
Student support services	111,056
Instructional staff support	130,446
Administration support	2,051,436
Pupil health	206,532
Transportation	3,683
Business services	3,581,755
Operations and maintenance	1,069,936
Student activities	275,192
Food services	382,979
Capital outlay	15,287
Debt service:	
Principal	898,020
Interest	168,937
Total expenditures	19,008,599
Net change in fund balances	(1,579,696)
Fund Balance - July 1, 2022	(1,138,010)
Fund Balance - June 30, 2023	$ (2,717,706)

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balance - Total Government Fund		$ (1,579,696)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the statement of activities, assets are capitalized and cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceed capital outlays in the current period.		
Capital outlays	15,287	
Deprecation and amortization expense	(1,295,808)	
		(1,280,521)
Because some state and Federal subsidy revenue will not be collected for several months after fiscal year-end, they are not considered as available revenues in the funds. Unavailable state and Federal subsidy revenue changed by this amount during the year.		
Change in unavailable revenue		(518,477)
Governmental funds report lease liability and leasehold improvement financing obligation proceeds as other financing sources in the period the lease or leasehold improvement financing obligation is initially recognized, while repayment is reported as expenditures. In the statement of net position, however, the lease liability and leasehold improvement financing obligation increase liabilities and does not affect the statement of activities, and repayment of principal reduces the obligations. The effect of these differences in the treatment of the lease liability and leasehold improvement financing obligation as follows:		
Repayments on lease liability	623,066	
Repayment of leasehold improvement financing obligation	274,954	
		898,020
Governmental funds report school pension and OPEB contributions as expenditures. However, in the statement of activities, the cost incurred for future pension and OPEB benefits is reported as pension and OPEB expense, as follows:		
Change in pension expense		711,087
Change in OPEB expense		24,417
Change in Net Position of Governmental Activities		$ (1,745,170)

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

KIPP West Philadelphia Charter School (the School) is a charter school located in Philadelphia, Pennsylvania. On July 1, 2016, the School Reform Commission of the School District of Philadelphia granted a charter to the School to operate a public charter school commencing on July 1, 2016 and ending June 30, 2019. During the 2018-2019 school year, the School successfully completed its first charter renewal and was renewed for a five-year term ending June 30, 2024.

Following the completed charter renewal, the School sought a charter merger with KIPP West Philadelphia Preparatory School, with the resulting organization serving 860 students in grades kindergarten through grade eight. The merger was approved by the School District of Philadelphia on September 19, 2019, and was effective on July 1, 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

Governmental-wide and Fund Financial Statements

The governmental-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's functions are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures and changes in fund balance) report on the School's general fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental-wide Financial Statements

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Grants and similar items are recognized as soon as all eligibility requirements imposed by providers have been met. For this purpose, the School considers revenues to be available if they are collected within the current period or within 120 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. Compensated absences are recognized as expenditures only to the extent that they are normally expected to be paid from existing unrestricted fund net position. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under leases are reported as other financing sources. Under the terms of grant agreements, the School supports certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

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

Method of Accounting

The Accounting Standards require a statement of net position and a statement of activities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted - This component of net position consists of net position limited through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net position.

- Unrestricted net position - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Method of Accounting (Continued)

In the fund financial statements, governmental funds report nonspendable portions of the fund balance related to inventory, prepaid items, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statue, grantors, bond agreements, etc.). Committed fund balances represent resources segregated from the unassigned fund balance. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes which are determined by Board approval. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is the School's policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the School's policy to use committed first, then assigned, and finally unassigned amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School has a general fund budget. The original budget was filed and accepted by the Labor, Education and Community Services Comptroller's Office in July 2022. The budget is included as required supplementary information.

Fair Value of Financial Instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

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

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The School maintains its cash balances in a Pennsylvania bank which is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). Periodically, the School may maintain deposits in excess of the FDIC limit of $250,000 with the financial institution. The School believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investments with a maturity of three months or less.

Federal and State Subsidies Receivable

Federal and state subsidies receivable primarily consist of amounts due from the Pennsylvania Department of Education for Federal, state subsidy programs, and other receivables. Federal and state subsidies receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023, no allowance of doubtful accounts was deemed warranted.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the governmental-wide financial statements. The School's capitalization policy is to capitalize additions in excess of $1,500 with a useful life in excess of one year. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

Description of Capital Cost	Estimated Useful Lives
Leasehold improvements	20 years or life of lease
Furniture and equipment	7 - 10 years

Inventory

Inventory consists principally of student uniforms and is recorded at cost.

Leases

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

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

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

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

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School is utilizing the Treasury bill rate (corresponding to length of lease) in place at the date of implementation (July 1, 2021) along with other risk factors to determine the discount interest rate for leases.

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

The School has recognized payments for short-term leases with a term of twelve months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use assets on the accompanying statement of net position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

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

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in which tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2023, the School had no uncertain tax positions that qualified for either recognition or disclosure in the accompanying financial statements. Additionally, the School had no interest or penalties related to income taxes. The School files an information return in the U.S. Federal jurisdiction.

Pensions

Effective July 1, 2022, the School no longer has any employees participating in the pension program.

Plan Description

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows resources to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS or the "System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they 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.

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years 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 T-F (Class T-F).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

Benefits Provided (Continued)

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, or the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Member Contributions

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2011, automatically contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions (Continued)

Member Contributions (Continued)

Act 5 of 2017 created additional classes of service (Class T-G, T-H and DC) that reduce the defined benefit formula but add a defined contribution component to the employee benefit. These plans are effective for employees who join PSERS on or after July 1, 2019. Total member contributions between the two plans range from 7.5% to 8.25%, depending on the class selection. The employer contribution to the defined contribution plan ranges from 2% to 2.25%, with the balance of the contractually required PSERS contribution rate paid to the defined benefit plan. The defined contribution component of a PSERS retirement benefit will be based on the amount of contributions made by the member and the School and the investment performance on those contributions. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in the declining investment markets.

Employer Contributions

The employer's contractually required contribution rate for fiscal year ended June 30, 2023, was 33.99% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. There were no employer contributions to the pension plan for the year ended June 30, 2023, as the School did not have any employees participating in the plan.

Other Postemployment Benefits

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

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost-sharing, multiple-employer other postemployment benefit (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lessor 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 (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (Continued)

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance Program if they satisfy the following criteria:

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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 PSERS' Health Options Program. As of June 30, 2022, 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, 2022, was 0.79% 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. There were no contributions to the OPEB plan from the School for the year ended June 30, 2022, as the School had no employees participating in the plan.

Unearned Revenue

Unearned revenue represents funds that have been received but not yet earned. Unearned revenue as of June 30, 2023, is expected to be earned in fiscal year 2024.

Subsequent Events

Subsequent events have been evaluated through December 13, 2023, which is the date the financial statements were available to be issued. There was an event that met the criteria for recognition or disclosure in the financial statements (see Note 5).

3. DEPOSITS

The School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the School's deposits are exposed to custodial credit risk. The School does not have a policy for custodial credit risk.

Operating cash accounts are held in the School's name by a banking institution. As of June 30, 2023, $1,393,720 was exposed to custodial credit risk as follows:

Uninsured and collateralized amount	$ 1,393,720
Plus - insured amount	250,000
Plus - deposits in transit	2,183
Total cash per school-wide financial statements	$ 1,645,903

4. CAPITAL ASSETS AND RIGHT-TO-USE LEASE ASSETS

Changes in capital assets and right-to-use lease assets are as follows for the fiscal year ended June 30, 2023:

	Beginning Balance July 1, 2022	Net Additions	Ending Balance June 30, 2023
Capital assets and right-to-use lease assets:			
Leasehold improvements	$ 3,394,256	$ -	$ 3,394,256
Furniture and equipment	2,071,071	15,287	2,086,358
Right-to-use lease assets	4,426,707	-	4,426,707
Total capital assets and right-to-use lease assets	9,892,034	15,287	9,907,321
Less - accumulated depreciation and amortization:			
Accumulated depreciation	2,092,833	637,160	2,729,993
Accumulated amortization	657,377	658,648	1,316,025
Total accumulated depreciation and amortization	2,750,210	1,295,808	4,046,018
Total capital assets and right-to-use lease assets, net	$ 7,141,824	$ (1,280,521)	$ 5,861,303

Depreciation and amortization expense for the year ended June 30, 2023, amounted to $1,295,808 and was charged to an unallocated function in the accompanying statement of activities.

5. COMMITMENTS

The School entered into a building lease agreement with a landlord which originally expired in July 2023. The building lease agreement grants three options to extend the term of the lease for an additional five years each. The School exercised the first option to extend the lease during fiscal year 2023 through July 2028. Upon adoption of GASB 87, the School evaluated the likelihood of exercising the three extension options and included one option to extend in the calculation of the possibility of exercising the additional options was uncertain. The School was required to make monthly principal and interest payments of $48,683 during fiscal year 2023. Interest expense on the lease was $29,658 for the year ended June 30, 2023. The net present value of the lease liabilities was $3,080,154 as of June 30, 2023, and was calculated using a discount rate of 0.89% (the risk-free rate as of lease inception). Amortization of the related right-to-use lease asset was $588,727 for the year ended June 30, 2023.

The School leases copiers under lease agreements which were entered into at various dates in fiscal year 2022. The School was required to make monthly principal and interest payments of $5,892 during fiscal year 2023. Interest expense on the leases was $1,344 for the year ended June 30, 2023. The net present value of the lease liabilities was $119,364 as of June 30, 2023, and was calculated using a discount rate of 0.89% (the risk-free rate as of lease inception). Amortization of the related right-to-use lease asset was $69,921 for the year ended June 30, 2023.

5. COMMITMENTS (Continued)

Future minimum payments under these agreements and future amortization are as follows:

Fiscal Year	Principal	Interest	Amortization
2024	$ 640,356	$ 25,378	$ 658,648
2025	621,547	19,756	622,149
2026	619,198	14,243	602,099
2027	623,678	8,725	589,577
2028	640,980	3,099	588,727
2029	53,759	-	49,482
Total	$ 3,199,518	$ 71,201	$ 3,110,682

In addition, the School leases space within the John P. Turner Middle School, 5900 Baltimore Avenue, in Philadelphia, Pennsylvania under a licensing agreement with the School District of Philadelphia (the District). Under the terms of this agreement, the School will be provided all utility, janitorial, building engineering, and security services by the School District. In March 2023, the School and the District agreed to extend the agreement for the period from July 1, 2023 to June 30, 2024, for an annual cost of $406,505. For the year ended June 30, 2023, the School's rent expense was $387,205.

Subsequent to June 30, 2023, the School entered into an additional equipment lease agreement that expires in August 2028. The lease was calculated using a discount rate of 4.49% (the risk-free rate as of lease inception). Future minimum payments under the lease agreement and future amortization are as follows:

Fiscal Year	Principal	Interest	Amortization
2024	$ 13,046	$ 2,944	$ 14,352
2025	16,312	2,876	17,222
2026	17,060	2,128	17,222
2027	17,842	1,346	17,222
2028	18,660	528	17,222
2029	3,192	6	2,870
Total	$ 86,111	$ 9,829	$ 86,111

6. LEASEHOLD IMPROVEMENTS FINANCING AGREEMENTS

In August 2018, September 2019 and November 2020, the School entered into financing agreements in the amounts of $1,000,000, $1,500,000 and $568,727, respectively, with Philadelphia Business and Technology Center. The agreements require monthly payments of combined principal and interest amounting to $11,565, $16,880 and $5,963, which include interest rates at 6.91%, 6.30% and 4.75%, respectively. These agreements will mature in August 2028, September 2029, and November 2030, respectively.

The leasehold improvement financing agreements balance was $2,092,344 at June 30, 2023. Interest expense on these leasehold improvement financing agreements incurred for the year ended June 30, 2023, was $137,935.

6. LEASEHOLD IMPROVEMENTS FINANCING AGREEMENTS (Continued)

Minimum future principal payments under the leasehold improvement financing agreements are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 292,592	$ 120,297	$ 412,889
2025	311,379	101,510	412,889
2026	331,389	81,500	412,889
2027	352,704	60,185	412,889
2028	375,410	37,480	412,890
2029 - 2031	428,870	20,384	449,254
Total	$ 2,092,344	$ 421,356	$ 2,513,699

7. LOCAL EDUCATIONAL AGENCIES REVENUE

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. All of the students for the School reside in Philadelphia. For the year ended June 30, 2023, the rate for the School District Philadelphia was $9,442 per year for regular education students plus additional funding for special education students. The annual rate paid monthly by the School District of Philadelphia is prorated if a student enters or leaves during the year. Total revenue from the School District of Philadelphia was $11,826,333.

8. GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state reimbursement and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not compiled with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. RETIREMENT PLAN

The School is part of a defined contribution plan under Section 403(b) of the IRC, which employees of the School can elect to contribute. Employees can contribute up to 5% of their qualified compensation, with the School matching up to 5% of their qualified compensation. For the year ended June 30, 2023, the School had contributed $335,826 to the Section 403(b) plan.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in the School’s contributions and earnings on School contributions after one year of service. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the plan’s administrative expenses.

The School had a liability to the plan totaling $43,297 as of June 30, 2023, which is included in accrued benefits payable.

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

At June 30, 2023, there was no reported liability for its proportionate share of net pension liability. The School's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. No material change in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The employer's portion 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, 2022, the employer's portion was 0%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2022.

At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ -
Difference between expected and actual experience	-	-
Changes in proportions	-	(908,000)
Changes in assumptions	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Total	$ -	$ (908,000)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2024	$ (467,000)
2025	(395,000)
2026	(46,000)
Total	$ (908,000)

Actuarial Assumptions

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

- Actuarial Cost Method - Entry Age Normal - Level % of Pay
- Investment Return - The investment rate of return was 7.00%, including inflation at 2.50%.
- Salary Growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and 2022.

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the experience study that was performed for the five-year period ended June 30, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2022.

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

Discount Rate

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the School reported a liability of $2,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2023, the employer's proportion was 0.0001%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2022.

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

At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ -
Difference between expected and actual experience	-	-
Changes in proportions	-	(84,000)
Changes in assumptions	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Total	$ -	$ (84,000)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2024	$ (17,941)
2025	(11,965)
2026	(15,043)
2027	(18,126)
2028	(20,925)
Total	$ (84,000)

Actuarial Assumptions and Other Inputs

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

- Actuarial Cost Method - Entry Age Normal - Level % of Pay.
- Investment Return - 2.18% - S&P 20-Year Municipal Bond Rate.
- Effective average salary growth 4.5%, comprising 2.5% for inflation and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits 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%

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

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019, determined the employer contribution rate for fiscal year 2021.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect Premium Assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 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 with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major class, as of June 30, 2022.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	0.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18% at June 30, 2022. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 2.18%, which represents the S&P twenty-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

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

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

The following presents the School's share of the Premium Assistance net OPEB liability at June 30, 2023, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were one-percentage point lower or one-percentage point higher than the current rate:

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in thousands)

1% Decrease	Healthcare Cost Trend Current Rate	1% Increase
$ 2	$ 2	$ 2

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

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate (in Thousands)

1% Decrease 3.09%	Current Rate 4.09%	1% Increase 5.09%
$ 2	$ 2	$ 2

OPEB Plan Fiduciary Net Position

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

12. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

13. RELATED PARTY TRANSACTIONS

The School, KIPP Philadelphia Charter School (KPCS), KIPP Dubois Charter School (KDCS), KIPP North Philadelphia Charter School (KNPCS), KIPP Philadelphia Octavius Catto Charter School (KPOC), and KIPP Administrative Services Corporation (KASC) are considered related parties as a result of common members of the Board and the management of the schools. The School has an arrangement with KASC where KASC provided management, professional, and facility services rendered to the School. The School pays a fee equal to 12% of public local and state funds, as defined in agreement to KASC. During the year ended June 30, 2023, the School paid an additional fee to KASC of $510,000 for additional support that was provided during the year.

During fiscal year 2023, the School paid $1,929,160 to KASC for these services, which is included in business services in the accompanying statement of activities.

From time-to-time, the School and other related entities pay for shared costs which are reimbursed. As of June 30, 2023, the School has a receivable from related parties in the amount of $1,633,703 and a payable to related parties in the amount of $3,989,101.

Related Entity	Due to The School	Due from The School
KPCS	$ 1,297,031	$ 2,595
KASC	-	2,296,594
KNPCS	336,672	-
Inter Entity Transactions	-	1,689,912
Total	$ 1,633,703	$ 3,989,101

14. CONTINGENCIES

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

15. LICENSE AGREEMENTS

The School maintains a trademark licensing agreement with KIPP Foundation (KIPP) (see Note 10) that is renewed annually. The School must abide by certain educational guidelines as set forth in the agreement. Under the licensing agreement, the School has the right to use various trademarks owned by KIPP.

In accordance with their licensing agreement, the School is to pay KIPP a fee of 1% of the per-pupil tuition per year, not to exceed $30,000.

The School can elect to terminate this agreement. However, if the School elects to terminate the agreement, they are required to reimburse KIPP up to $300,000, which are intended to offset costs KIPP incurred in the training of staff and assistance in operating the School.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Unaudited)
For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Revenues:				
Local educational agency assistance	$ 11,300,647	$ 10,924,490	$ 11,826,333	$ 901,843
Federal sources	3,762,252	4,672,259	4,977,455	305,196
Other local sources	410,910	410,910	625,115	214,205
State sources	114,026	114,026	-	(114,026)
Total revenues	15,587,835	16,121,685	17,428,903	1,307,218
Expenditures:				
Instruction and special education	8,452,694	8,699,637	10,113,340	(1,413,703)
Student support services	575,306	150,098	111,056	39,042
Instructional staff support	284,900	107,300	130,446	(23,146)
Administration support	1,125,974	1,919,138	2,051,436	(132,298)
Pupil health	235,800	191,000	206,532	(15,532)
Transportation	-	-	3,683	(3,683)
Business services	3,520,658	3,857,582	3,581,755	275,827
Operations and maintenance	1,681,045	1,685,228	1,069,936	615,292
Student activities	8,000	45,000	275,192	(230,192)
Food services	396,410	396,410	382,979	13,431
Capital outlay	-	-	15,287	(15,287)
Debt service:				
Principal	-	-	898,020	(898,020)
Interest	413,328	-	168,937	(168,937)
Total expenditures	16,694,115	17,051,393	19,008,599	(1,957,206)
Net change in fund balance	(1,106,280)	(929,708)	(1,579,696)	(649,988)
Fund Balance, July 1			(1,138,010)	-
Fund Balance, June 30	$ (1,106,280)	$ (929,708)	$ (2,717,706)	$ (649,988)

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
PSERS Measurement Date (Unaudited)
(in thousands)

Measurement Date	PSERS Net Pension Liability: School's Proportionate Share	PSERS Net Pension Liability: School's Proportionate Share	School's Covered Payroll	School's Proportionate Share of NPL as a Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.0130%	$ 5,146	$ 1,656	311%	57.2%
June 30, 2015	0.0110%	$ 5,112	$ 1,516	337%	54.4%
June 30, 2016	0.0083%	$ 4,113	$ 1,080	381%	50.1%
June 30, 2017	0.0063%	$ 3,111	$ 845	368%	51.8%
June 30, 2018	0.0063%	$ 3,024	$ 852	355%	54.0%
June 30, 2019	0.0039%	$ 1,825	$ 543	366%	55.7%
June 30, 2020	0.0033%	$ 1,625	$ 553	294%	54.3%
June 30, 2021	0.0004%	$ 164	$ 70	236%	63.7%
June 30, 2022	0.0000%	$ -	$ -	0%	61.3%

PSERS Schedule of Contributions (Unaudited)
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2014/15	$ 230	$ 230	$ -	$ 1,516	15.2%
2015/16	$ 271	$ 271	$ -	$ 1,080	25.1%
2016/17	$ 246	$ 246	$ -	$ 845	29.1%
2017/18	$ 336	$ 336	$ -	$ 852	39.4%
2018/19	$ 157	$ 157	$ -	$ 543	28.9%
2019/20	$ 185	$ 185	$ -	$ 553	33.5%
2020/21	$ 24	$ 24	$ -	$ 70	34.5%
2021/22	$ -	$ -	$ -	$ -	0.0%
2022/23	$ 2	$ 2	$ -	$ -	0.0%

Note - 10 years are required, additional years will be added as they become available.

Notes to Required Supplemental Information

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

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

Investment Return - The investment rate of return was 7.00%, includes inflation of 2.50%

Salary Increases - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Schedules of Proportionate Share of PSERS Net OPEB Liability and Contributions (Unaudited)
Year Ended June 30, 2023
(in thousands)

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

Measurement Date	PSERS Net Pension Liability School's Proportionate Share	PSERS Net Pension Liability School's Proportionate Share	School's Covered Payroll	School's Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	PSERS Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.0063%	$ 128	$ 845	15%	5.73%
June 30, 2018	0.0063%	$ 131	$ 852	15%	5.56%
June 30, 2019	0.0039%	$ 83	$ 543	15%	5.56%
June 30, 2020	0.0033%	$ 71	$ 553	13%	5.69%
June 30, 2021	0.0004%	$ 10	$ 70	14%	5.30%
June 30, 2022	0.0001%	$ 2	$ 18	11%	6.86%

PSERS OPEB Schedule of Contributions (Unaudited)
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percent of Covered Payroll
2017/18	$ 9.0	$ 9	$ -	$ 852	1.06%
2018/19	$ 4.0	$ 4	$ -	$ 543	74.00%
2019/20	$ 5.0	$ 5	$ -	$ 553	90.00%
2020/21	$ 0.5	$ 1	$ -	$ 70	72.00%
2021/22	$ -	$ -	$ -	$ -	0.00%
2022/23	$ -	$ -	$ -	$ -	0.00%

Note - 10 years are required, additional years will be added as they become available.

Notes to Required Supplemental Information

(1) Changes in Actuarial Assumptions
The investment rate of return was changed from 2.18% to 4.09%

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

Actuarial Cost Method - Entry Age Normal - Level % of Pay.
Investment Return - 4.09% - S&P 20 Year Municipal Bond Rate.
Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium Assistance reimbursement benefits capped at $1,200 per year.
Assumed health care cost trends were applied to retirees with less than $1,200 in premium assistance per year.
Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
Participation rate:
Eligible retirees will elect to partipate pre-age 65 at 50%.
Eligible retirees will elect to partipate post-age 65 at 70%.

KIPP WEST PHILADELPHIA CHARTER SCHOOL

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Communications Commission:			
COVID-19 - Emergency Connectivity Fund Program	32.009	N/A	$ 200,711
U.S. Department of Education:			
Passed-Through Pennsylvania Department of Education:			
Title I Grants to Local Educational Agencies	84.010	013-22-1146-A 013-23-1146-A	826,250
Supporting Effective Instruction State Grants (Formerly, Improving Teacher Quality State Grants)	84.367	020-22-1146-A 020-23-1146-A	52,393
Student Support and Academic Enrichment Program	84.424	144-22-1146-A 144-23-1146-A	58,912
COVID-19 - Education Stabilization Fund	84.425U	225-21-1146	459,912
COVID-19 - Education Stabilization Fund	84.425D	200-21-1146	1,710,657
COVID-19 - Education Stabilization Fund	84.425	223-21-1146	882,566
COVID-19 - Education Stabilization Fund	84.425W	181-21-2212	446
Total AL No. 84.425			3,053,581
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	692/FY22 692/FY23	137,932
Total U.S. Department of Education			4,129,068
Total Expenditures of Federal Awards			$ 4,329,779

1. GENERAL INFORMATION

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

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the School. It is not intended to, and does not, present either the balance sheet or statement of revenues, expenditures and changes in fund balance of governmental fund. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures and changes in fund balance of governmental fund.

4. INDIRECT COST RATE

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

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

Independent Auditor's Report

To the Board of Trustees of
KIPP West Philadelphia Charter School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of KIPP West Philadelphia Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

AAFCPAs, Inc.

Westborough, Massachusetts
December 13, 2023

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

Independent Auditor's Report

To the Board of Trustees of
KIPP West Philadelphia Charter School:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited KIPP West Philadelphia Charter School's (the School) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major Federal program for the year ended June 30, 2023. The School's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major Federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to on the previous page is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the major Federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (Continued)

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

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

AAFCPAs, Inc.

Westborough, Massachusetts
December 13, 2023

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? ______ Yes __X__ No

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over each major Federal program:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None reported

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

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

Identification of major Federal program:

Name of Federal Program or Cluster	Assistance Listing Number
COVID-19 - Education Stabilization Fund	84.425

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

2. FINANCIAL STATEMENT FINDINGS

None.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

Significant Deficiencies

Finding 2022-001: Internal Control Over Financial Reporting

Condition: The internal control structure did not prevent a significant number of AnyBill check transactions and voided check transactions to be processed in the AnyBill disbursement platform but not recorded in the Intacct general ledger through the recording and synchronization of the AnyBill transactions of the KIPP West Philadelphia Charter School.

Current Status: In fiscal year 2023, management properly recorded all check transactions to the general ledger as the Finance team used the cash management module in Intacct to reconcile the Anybill account monthly that highlights any transactions that did not properly sync over from the Anybill platform. This finding is considered addressed.

Finding 2022-002: Internal Control Over Compliance

Condition: During testing of reporting submissions through the Pennsylvania Department of Education's (PDE) Financial Accounting Information website, it was noted that there were two Reconciliation of Cash on Hand – Quarterly Reports required for the funding due to be filed during the fiscal year. The report for the quarter ended June 30, 2022, was not completed, or submitted, and the other report was submitted late to the Pennsylvania Department of Education.

Current Status: In fiscal year 2023, the School began expanding to close the capacity gaps and hired a Controller and Chief Financial Officer (CFO) in spring of 2023. In addition to the new roles, the Controller has been tasked with reviewing policies and procedures and identifying opportunities to improve efficiencies. For all grants with Assistance Listing No. 84.425, we reviewed the reports for the quarter ended June 30, 2023 (or the last quarter required to be submitted if grant ended during fiscal year 2023) and reviewed the grant status listed on the PDE's website. The status of all the grants were in good standing with the exception of one grant with total funds expended of $446 for the year ended June 30, 2023, which was documented as an immaterial instance of noncompliance. As of June 30, 2023, the School has personnel in place to ensure all reporting compliance requirements are met. This finding is considered addressed.