

**TECH FREIRE CHARTER SCHOOL**

**FINANCIAL STATEMENTS**

*Year Ended June 30, 2025*

## **INTRODUCTORY SECTION**

# TECH FREIRE CHARTER SCHOOL

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2025

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	2
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	12
Statement of Activities	13
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Fund</i></b>	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Notes to the Basic Financial Statements	18
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	36
Notes to the Required Supplementary Information	37
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	<b>38</b>

## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Directors  
TECH Freire Charter School  
Philadelphia, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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 TECH Freire Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 11 and budgetary comparison information on pages 36 and 37, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors  
TECH Freire Charter School  
Philadelphia, Pennsylvania

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025 on our consideration of TECH Freire Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TECH Freire Charter School's internal control over financial reporting and compliance.

*Maille LLP*

New Castle, Delaware  
October 21, 2025

# TECH FREIRE CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

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TECH Freire Charter School (the "School") is pleased to present to readers of the financial statements of the School this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2025, its 9th full year of operation as contained in the report on its financial statements.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### **Government-Wide Financial Statements**

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

The Statement of Net Position (page 12) presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the financial position of the School is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The net position of the School at June 30, 2025 is \$4,555,569, representing an increase of \$21,776 from the year ended June 30, 2024.

### **Fund Financial Statements**

The fund financial statements begin on page 14 and provide detailed information about the General Fund. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts that the School uses to keep track of specific sources of funding and spending for a particular purpose. The General Fund falls into the governmental category.

- **Governmental Funds** - The School's basic services are reported in a Governmental Fund, which focuses on cash flows into and out of the fund and how the balances left at year-end that are available for future spending. The Governmental Fund financial statements provide a detailed, short-term view of the School's operations and the services it provides. Governmental Fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided to explain the differences between the Governmental Fund Balance Sheet and the Statement of Net Position (page 15) and between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (page 17). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets available to satisfy current liabilities.

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

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At June 30, 2025, the School reported an ending governmental funds balance of \$2,471,138, representing an increase of \$332,075 from June 30, 2024.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget. The required supplementary information can be found on pages 36 and 37.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

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

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

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

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***Condensed Statements of Net Position***  
***June 30, 2025 and 2024***

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current and other assets	\$ 3,186,856	\$ 2,512,416
Right to use lease assets	12,106,996	12,602,846
Capital assets	<u>3,276,072</u>	<u>3,345,571</u>
TOTAL ASSETS	<u>\$ 18,569,924</u>	<u>\$ 18,460,833</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 776,392	\$ 436,186
Noncurrent liabilities	<u>13,237,963</u>	<u>13,490,854</u>
TOTAL LIABILITIES	<u>14,014,355</u>	<u>13,927,040</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,145,105	2,457,563
Unrestricted	<u>2,410,464</u>	<u>2,076,230</u>
TOTAL NET POSITION	<u>4,555,569</u>	<u>4,533,793</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,569,924</u>	<u>\$ 18,460,833</u>

The net investment in capital assets component of the School's net position as of June 30, 2025, of \$2,145,105, is reflected as investments in capital assets (e.g., furniture, equipment and others including right to use lease assets), less any related debt outstanding. There was no outstanding debt relating to the acquisition of capital assets at June 30, 2025; however, there was \$13,237,963 of debt relating to right to use lease assets. See Footnote F for further information. There were no net asset restrictions as of June 30, 2025.

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

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

	<u>2025</u>	<u>2024</u>
REVENUES		
Operating grants and contributions	\$ 1,303,598	\$ 3,558,836
Other local services	9,365,127	8,107,605
TOTAL REVENUES	<u>10,668,725</u>	<u>11,666,441</u>
EXPENSES		
Instructional programs	4,467,477	4,743,161
Support services		
Pupil personnel services	515,878	622,141
Administration services	1,284,670	1,300,926
Pupil health services	114,595	141,802
Business services	111,927	104,913
Operation and maintenance of plant services	1,763,683	1,626,794
Other services	1,169,196	938,273
Operation of non-instructional services		
Student activities	479,685	332,376
Interest on lease liabilities	739,838	755,172
TOTAL EXPENSES	<u>10,646,949</u>	<u>10,565,558</u>
CHANGE IN NET POSITION	21,776	1,100,883
NET POSITION AT BEGINNING OF YEAR	<u>4,533,793</u>	<u>3,432,910</u>
NET POSITION AT END OF YEAR	<u>\$ 4,555,569</u>	<u>\$ 4,533,793</u>

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

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUND**

**Governmental Fund**

**General Fund - Comparison to Prior Year and to Budget** - The General Fund is the School's operating fund. At the end of fiscal year 2025, the fund balance was \$2,471,138. The following schedule presents General Fund revenues and expenditures for 2025 compared to budget.

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support	\$ 8,716,000	\$ 8,716,000	\$ 9,255,610	\$ 539,610
State support	92,000	92,000	211,617	119,617
Federal support	1,025,000	1,025,000	1,061,009	36,009
Other Revenue	125,000	125,000	140,489	15,489
<b>TOTAL REVENUES</b>	<b>9,958,000</b>	<b>9,958,000</b>	<b>10,668,725</b>	<b>710,725</b>
<b>EXPENDITURES</b>				
Instruction	4,706,916	4,706,916	4,467,184	239,732
Support services	4,515,516	4,515,516	4,394,981	120,535
Operation of non-instructional services	560,717	560,717	479,597	81,120
Debt service	997,000	997,000	994,888	2,112
<b>TOTAL EXPENDITURES</b>	<b>10,780,149</b>	<b>10,780,149</b>	<b>10,336,650</b>	<b>443,499</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (822,149)</b>	<b>\$ (822,149)</b>	<b>\$ 332,075</b>	<b>\$ 1,154,224</b>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget contained \$9,958,000 of revenues and \$10,780,149 of expenditures. The actual results were that revenues were \$710,725 over budget and that expenditures of \$443,499 were under budget. The School's net change in fund balance of \$332,075 for the 2025 fiscal year was \$1,154,224 over budget.

- Local educational agencies revenues exceeded the budget by approximately \$540,000. Significant variances include:
  - The school received additional per-student funding from the School District of Philadelphia during the year. The rate increased from the prior year by \$1,140 for all students, plus an additional increase of \$2,342 for special education students.
- Instruction expenses were under the budget by approximately \$240,000. Significant variances include:
  - Overall, instructional costs were less than budgeted due to vacancies throughout the year which resulted in cost savings. Additionally, health insurance came in under budget.

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

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**CAPITAL ASSETS**

**Capital Assets**

As of June 30, 2025, the School had invested \$15,383,068, net of accumulated depreciation and amortization, in its capital assets.

	<u>2025</u>	<u>2024</u>
Buildings and leasehold improvements	\$ 3,558,996	\$ 3,526,633
Furniture and equipment	1,379,054	1,172,043
Accumulated depreciation	(1,661,978)	(1,353,105)
Right to use lease assets	14,090,396	14,090,396
Accumulated amortization	<u>(1,983,400)</u>	<u>(1,487,550)</u>
	<u>\$ 15,383,068</u>	<u>\$ 15,948,417</u>

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

- Approximately \$176,000 for various IT equipment.

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

# **TECH FREIRE CHARTER SCHOOL**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2025

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## **COMPONENT UNIT**

Future Wings Holding Company is a nonprofit component unit of the School and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the School. The component unit owns the facility and leases the facility to the School.

## **REQUESTS FOR INFORMATION**

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

**TECH FREIRE CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	Primary Government Governmental Activities	Component Unit Future Wings Holding Company
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,686,153	\$ 11,830
Cash and cash equivalents - restricted	-	1,307,241
Due from other governments	455,927	86,705
Accrued interest receivable on leases	-	60,714
Prepaid expenses	44,776	1,080
Lease receivables	-	289,855
TOTAL CURRENT ASSETS	<u>3,186,856</u>	<u>1,757,425</u>
Noncurrent assets		
Lease receivable, noncurrent	-	12,968,976
Capital assets		
Land	-	1,638,713
Buildings and leasehold improvements	3,558,996	11,217,347
Furniture and equipment	1,379,054	-
Accumulated depreciation	(1,661,978)	(1,541,783)
Right to use lease assets		
Facilities	14,090,396	-
Accumulated amortization	(1,983,400)	-
TOTAL NONCURRENT ASSETS	<u>15,383,068</u>	<u>24,283,253</u>
TOTAL ASSETS	<u>\$ 18,569,924</u>	<u>\$ 26,040,678</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 476,158	\$ 12,081
Accrued salaries and related costs	238,500	-
Due to other governments	-	60,579
Unearned revenue	1,060	-
Accrued interest payable - lease liabilities	60,674	-
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	-	263,643
Leases	268,987	-
Portion due or payable after one year		
Bonds payable	-	12,989,324
Leases	12,968,976	-
TOTAL LIABILITIES	<u>14,014,355</u>	<u>13,325,627</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	-	12,126,119
NET POSITION		
Net investment in capital assets	2,145,105	(631,449)
Unrestricted	2,410,464	1,220,381
TOTAL NET POSITION	<u>4,555,569</u>	<u>588,932</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 18,569,924</u>	<u>\$ 26,040,678</u>

*See accompanying notes to the basic financial statements.*

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
<b>PRIMARY GOVERNMENT</b>						
GOVERNMENTAL ACTIVITIES						
Instructional programs	\$ 4,467,477	\$ -	\$ 221,817	\$ -	\$ (4,245,660)	
Support services						
Pupil personnel services	515,878	-	308,540	-	(207,338)	
Administration services	1,284,670	-	304,512	-	(980,158)	
Pupil health services	114,595	-	6,500	-	(108,095)	
Business services	111,927	-	-	-	(111,927)	
Operation and maintenance of plant services	1,763,683	-	130,914	-	(1,632,769)	
Other services	1,169,196	-	-	-	(1,169,196)	
Operation of non-instructional services						
Student activities	479,685	-	331,315	-	(148,370)	
Interest on lease liabilities	739,838	-	-	-	(739,838)	
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 10,646,949</u>	<u>\$ -</u>	<u>\$ 1,303,598</u>	<u>\$ -</u>	<u>(9,343,351)</u>	
<b>COMPONENT UNIT</b>						
Future Wings Holding Company	<u>\$ 1,103,751</u>	<u>\$ 528,633</u>	<u>\$ -</u>	<u>\$ 45,000</u>		<u>\$ (530,118)</u>
GENERAL REVENUES						
					9,255,610	\$ -
					36,540	63,722
					-	741,674
					72,977	-
					<u>9,365,127</u>	<u>805,396</u>
CHANGE IN NET POSITION						
					21,776	275,278
NET POSITION AT BEGINNING OF YEAR						
					<u>4,533,793</u>	<u>313,654</u>
NET POSITION AT END OF YEAR						
					<u>\$ 4,555,569</u>	<u>\$ 588,932</u>

See accompanying notes to the basic financial statements.

**TECH FREIRE CHARTER SCHOOL**

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2025

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	<u>General Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,686,153
Prepaid expenses	44,776
Due from other governments	<u>455,927</u>
TOTAL ASSETS	<u>\$ 3,186,856</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenses	\$ 476,158
Accrued salaries and related costs	238,500
Unearned revenue	<u>1,060</u>
TOTAL LIABILITIES	<u>715,718</u>
FUND BALANCE	
Nonspendable	44,776
Unassigned	<u>2,426,362</u>
TOTAL FUND BALANCE	<u>2,471,138</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,186,856</u>

*See accompanying notes to the basic financial statements.*

# TECH FREIRE CHARTER SCHOOL

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

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TOTAL GOVERNMENTAL FUND BALANCE \$ 2,471,138

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Fund. These assets consist of:

Buildings and leasehold improvements	3,558,996
Furniture and equipment	1,379,054
Accumulated depreciation	(1,661,978)

Right to use lease assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Fund. These assets consist of:

Facilities	14,090,396
Accumulated amortization	(1,983,400)

Some liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund. Those liabilities consist of:

Leases	(13,237,963)
Accrued interest - lease liabilities	<u>(60,674)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,555,569

*See accompanying notes to the basic financial statements.*

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

	<u>General Fund</u>
REVENUES	
Local support	\$ 9,255,610
State support	211,617
Federal support	1,061,009
Other revenue	140,489
TOTAL REVENUES	<u>10,668,725</u>
EXPENDITURES	
Instruction	4,467,184
Support services	4,394,981
Operation of non-instructional services	479,597
Debt service - principal - leases	252,891
Debt service - interest - leases	741,997
TOTAL EXPENDITURES	<u>10,336,650</u>
NET CHANGE IN FUND BALANCE	332,075
FUND BALANCE AT BEGINNING OF YEAR	<u>2,139,063</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,471,138</u>

*See accompanying notes to the basic financial statements.*

# TECH FREIRE CHARTER SCHOOL

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

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NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ 332,075

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

Capital outlays	249,294
Depreciation	(309,038)
Write-off of disposed assets	(9,755)

Right to use lease asset are reported in the Governmental Fund as expenditures. However, in the statement of activities, the value of those assets is allocated over the life of the related lease as amortization expense. This is the amount by which amortization exceeds right to use lease assets in the current period.

Right to use lease assets amortization	(495,850)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term lease liabilities	252,891
Change in accrued interest payable	<u>2,159</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 21,776

*See accompanying notes to the basic financial statements.*

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Charter School**

TECH Freire Charter School (the "School") was formed in 2016 as a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School operates a charter school in Philadelphia, Pennsylvania, under an approved charter received from the Philadelphia School District, acting pursuant to authority conferred under the Public School Code of 1949, as amended by Act 22 of 1997, the Charter School Law, 24 P.S. Sections 17-1701-A et. seq. and is operating under a charter school contract effective July 1, 2019. The School's initial operations began on July 1, 2016.

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

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

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

**Reporting Entity**

As required by generally accepted accounting principles, the accompanying financial statements present the activities of the School. The School is not a component unit of another reporting entity. The GASB established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School's financial reporting entity are financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Discretely Presented Component Unit*** - In conformity with the Generally Accepted Accounting Principles (GAAP), the following component unit has been included in the financial reporting entity as a discretely presented component unit:

**Future Wings Holding Company** - Future Wings Holding Company (the "Company") reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Future Wings Holding Company operates on a fiscal year ending June 30. More detailed information is available from TECH Freire Charter School at 2221 North Broad Street, Philadelphia, PA 19132.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School and its component unit. Likewise, the School is reported separately from its legally separate component unit.

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

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

Separate financial statements are provided for the Governmental Fund.

**Measurement Focus, Basis of Accounting and Financial Statement Preparation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Billings to the School and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the General Fund (a Governmental Fund type), which is the School's operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

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

**Capital Assets**

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

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

	<u>Years</u>
Leasehold improvements	7-25
Furniture and equipment	3-10

**Right to Use Assets**

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

**Long-Term Lease Liabilities**

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

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

**Net Position**

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School did not report any items for deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School did not report any items for deferred inflows of resources.

**Fund Balance**

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

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

- ***Nonspendable*** - This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. The School had a nonspendable balance of \$44,776 as of June 30, 2025.
- ***Restricted*** - This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School did not have a restricted balance as of June 30, 2025.
- ***Committed*** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the School. Commitments cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (formal vote of the Board of Directors) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2025.

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Assigned** - This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School management through the budgetary process. The School did not have any assigned fund balance as of June 30, 2025.
- **Unassigned** - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

**Budgets and Budgetary Accounting**

The School adopts an annual budget on a basis consistent with GAAP for the governmental funds. The School is required to present the adopted and final budgeted revenues and expenditures for the governmental funds that were filed and accepted by the Labor, Education and Community Services Comptroller's Office. The General Fund budget appears on page 36.

**Income Tax**

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

In accordance with FASB ASC standards regarding accounting for uncertainty in income taxes, the School is required to recognize the financial statement effects of a position if it is more likely than not that the position will be sustained upon examination. The School has no uncertain tax positions that qualify for recognition in the financial statements.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

The School has evaluated subsequent events through October 21, 2025, the date on which these financial statements were available to be issued. There were no subsequent events.

**Component Unit - Future Wings Holding Company**

***Summary of Significant Accounting Policies***

**Measurement Focus, Basis of Accounting and Financial Statement Preparation**

Future Wings Holding Company's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

The accounting and financial reporting treatment applied to Future Wings Holding Company is determined by its measurement focus. The transactions of Future Wings Holding Company are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets" and "unrestricted" components.

Operating revenues are those revenues that are generated directly from primary activities. For Future Wings Holding Company, these revenues are rental charges for services and investment income. Operating expenses are necessary costs incurred to provide the services that are the primary activity of Future Wings Holding Company.

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Component Unit - Future Wings Holding Company (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash accounts, restricted cash accounts and highly liquid investments, which are not subject to withdrawal restrictions or penalties, with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**Lease Receivable**

Future Wings Holding Company's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, Future Wings Holding Company may receive variable lease payments that are dependent on certain factors. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the life of the related lease.

**Capital Assets**

Future Wings Holding Company's capital assets, which include land, construction in progress, and buildings and leasehold improvements, are reported in the government-wide financial statements. Future Wings Holding Company defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Capital assets of Future Wings Holding Company are depreciated using the straight-line method over the estimated useful lives of the related assets. Future Wings Holding Company generally uses the following estimated useful lives:

	<u>Years</u>
Building and leasehold improvements	30-40

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Future Wings Holding Company did not report any items for deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Future Wings Holding Company reported one item as deferred inflows of resources relating to lease receivables.

**Long-Term Debt**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, when applicable, are deferred and amortized over the life of the bond using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized to interest expense. Bond issuance costs are expensed in the period incurred.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CASH AND CASH EQUIVALENTS**

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository banks. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. At year end, the total carrying amount of the School's checking, savings and money market deposits was \$2,686,153, and the corresponding bank balance was \$2,675,068. Of the bank balance, \$250,000 was covered by federal depository insurance; \$2,425,068 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and uncollateralized.

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE B - CASH AND CASH EQUIVALENTS (Continued)**

As of June 30, 2025, the custodial credit risk is as follows:

	<u>Governmental Activities</u>
Reconciliation to the financial statements:	
Cash exposed to custodial risk (uninsured and uncollateralized)	\$ 2,425,068
Plus insured amount	250,000
Plus deposit in transit	<u>11,085</u>
	<u>\$ 2,686,153</u>

***Component Unit - Future Wings Holding Company***

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, Future Wings Holding Company's deposits may not be returned to it. Future Wing Holding Company monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository banks. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. At year end, the total carrying amount of Future Wings Holding Company's checking, savings and money market deposits was \$1,319,071, and the corresponding bank balances was \$1,319,071. Of the bank balance, \$261,830 was covered by federal depository insurance; \$1,057,241 exceeded depository insurance and was exposed to custodial credit risk because the deposits were uninsured and uncollateralized.

As of June 30, 2025, the custodial credit risk is as follows:

	<u>Component Unit</u>
Reconciliation to the financial statements:	
Cash exposed to custodial risk (uninsured and uncollateralized)	\$ 1,057,241
Plus insured amount	<u>261,830</u>
	<u>\$ 1,319,071</u>

Restricted cash in the amount of \$1,307,241 represents amounts that are required to be maintained with the lender for reserves.

**TECH FREIRE CHARTER SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025

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**NOTE C - DUE FROM OTHER GOVERNMENTS**

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

A summary of receivables is as follows:

	<u>Amount</u>
Federal	\$ 292,043
State	157,764
Local	<u>6,120</u>
	<u>\$ 455,927</u>

**NOTE D - LEASE RECEIVABLES**

***Component Unit - Future Wings Holding Company***

In December 2019, the Company entered into a lease with TECH Freire Charter School. Under the lease, the School pays the Company amounts ranging from \$69,075 to \$83,204 per month through 2049. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.50%. Since there is no implicit rate in the lease agreement, the Company determined to use its incremental borrowing rate, which is the mode rate the Company pays on its existing mortgage on the leased facilities.

In February 2001, the Company entered into a lease with a cellular phone service provider for placement of cellular service antennae on the building. Under the lease, the provider pays the Company an amount starting at \$1,500 per month and increasing 3% each year through 2026. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.50%, which is the rate the Company determined to charge the lessee.

For the year ended June 30, 2025, the Company recognized \$528,633 of lease revenue and \$741,674 of interest revenue under the leases.

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE D - LEASE RECEIVABLES (Continued)**

The future lease receivables at June 30, 2025, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 289,855	\$ 728,564	\$ 1,018,419
2027	284,802	713,294	998,096
2028	296,591	697,630	994,221
2029	313,091	681,317	994,408
2030	330,098	664,097	994,195
2031-2035	1,947,594	3,026,705	4,974,299
2036-2040	2,546,845	2,428,664	4,975,509
2041-2045	3,327,659	1,647,190	4,974,849
2046-2050	<u>3,922,296</u>	<u>652,556</u>	<u>4,574,852</u>
	<u>\$ 13,258,831</u>	<u>\$ 11,240,017</u>	<u>\$ 24,498,848</u>

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, is as follows:

	Beginning Balance <u>July 1, 2024</u>	Increases	Decreases	Ending Balance <u>June 30, 2025</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and leasehold improvements	\$ 3,526,633	\$ 32,363	\$ -	\$ 3,558,996
Furniture and equipment	1,172,043	216,931	(9,920)	1,379,054
Right to use leased assets	<u>14,090,396</u>	<u>-</u>	<u>-</u>	<u>14,090,396</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>18,789,072</u>	<u>249,294</u>	<u>(9,920)</u>	<u>19,028,446</u>
<b>Accumulated depreciation/amortization</b>				
Leasehold improvements	(549,050)	(147,456)	-	(696,506)
Furniture and equipment	(804,055)	(161,582)	165	(965,472)
Right to use leased assets	<u>(1,487,550)</u>	<u>(495,850)</u>	<u>-</u>	<u>(1,983,400)</u>
<b>TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION</b>	<u>(2,840,655)</u>	<u>(804,888)</u>	<u>165</u>	<u>(3,645,378)</u>
<b>CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>15,948,417</u>	<u>(555,594)</u>	<u>(9,755)</u>	<u>15,383,068</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>\$ 15,948,417</u>	<u>\$ (555,594)</u>	<u>\$ (9,755)</u>	<u>\$ 15,383,068</u>

Depreciation and amortization expense was \$804,888 for the year ended June 30, 2025, and is allocated to operation and maintenance of plant services.

***Component Unit - Future Wings Holding Company***

Capital asset activity for the year ended June 30, 2025, is as follows:

	Beginning Balance <u>July 1, 2024</u>	Increases	Decreases	Ending Balance <u>June 30, 2025</u>
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 1,638,713	\$ -	\$ -	\$ 1,638,713
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and leasehold improvements	<u>11,217,347</u>	<u>-</u>	<u>-</u>	<u>11,217,347</u>
<b>Accumulated depreciation</b>				
Buildings and leasehold improvements	<u>(1,247,535)</u>	<u>(294,248)</u>	<u>-</u>	<u>(1,541,783)</u>
<b>CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>9,969,812</u>	<u>(294,248)</u>	<u>-</u>	<u>9,675,564</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 11,608,525</u>	<u>\$ (294,248)</u>	<u>\$ -</u>	<u>\$ 11,314,277</u>

Depreciation expense was \$294,248 for the year ended June 30, 2025.

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE F - LEASE LIABILITIES**

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

The School leased a facility at 2221-2225 North Broad Street in Philadelphia with an effective date of December 20, 2019 and an implementation date of July 1, 2021. The lease requires monthly payments ranging from \$69,075 to \$83,204. The lease liability is measured at an implicit interest rate of 5.50% as of the date of lease inception. As a result of the lease, the School has recorded a right to use asset with a net book value of \$12,106,996 on June 30, 2025. As of June 30, 2025 the School was in compliance with all required covenants disclosed in the lease agreement.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 268,987	\$ 728,088	\$ 997,075
2027	284,802	713,294	998,096
2028	296,591	697,630	994,221
2029	313,091	681,317	994,408
2030	330,098	664,097	994,195
2031-2035	1,947,594	3,026,705	4,974,299
2036-2040	2,546,845	2,428,664	4,975,509
2041-2045	3,327,659	1,647,190	4,974,849
2046-2050	<u>3,922,296</u>	<u>625,556</u>	<u>4,547,852</u>
	<u>\$ 13,237,963</u>	<u>\$ 11,212,541</u>	<u>\$ 24,450,504</u>

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE G - LONG TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025.

	<u>Maturity Date</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
Long-term liabilities						
Leases	2049	\$ 13,490,854	\$ -	\$ (252,891)	\$ 13,237,963	\$ 268,987
<b>COMPONENT UNIT - FUTURE WINGS HOLDING COMPANY</b>						
General obligation bonds and notes						
Series 2019 A						
Cusip #71780CAA8	2029	\$ 1,415,000	\$ -	\$ (255,000)	\$ 1,160,000	\$ 270,000
Cusip #71780CAB6	2034	1,810,000	-	-	1,810,000	-
Cusip #71780CAC4	2049	10,435,000	-	-	10,435,000	-
Unamortized bond discount	2049	(158,390)	-	6,357	(152,033)	(6,357)
Total Series 2019 A		13,501,610	-	(248,643)	13,252,967	263,643
TOTAL GENERAL OBLIGATION BONDS AND NOTES		\$ 13,501,610	\$ -	\$ (248,643)	\$ 13,252,967	\$ 263,643

An analysis of Future Wings Holding Company debt service requirements to maturity on long-term debt follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Discount</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 270,000	\$ (6,357)	\$ 263,643	\$ 726,950	\$ 990,593
2027	285,000	(6,357)	278,643	713,450	992,093
2028	295,000	(6,357)	288,643	699,200	987,843
2029	310,000	(6,357)	303,643	684,450	988,093
2030	325,000	(6,357)	318,643	668,950	987,593
2031-2035	1,905,000	(31,784)	1,873,216	3,069,388	4,942,604
2036-2040	2,480,000	(31,784)	2,448,216	2,495,625	4,943,841
2041-2045	3,240,000	(31,784)	3,208,216	1,734,700	4,942,916
2046-2049	4,295,000	(24,896)	4,270,104	685,025	4,955,129
	\$ 13,405,000	\$ (152,033)	\$ 13,252,967	\$ 11,477,738	\$ 24,730,705

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE G - LONG TERM LIABILITIES (Continued)**

The following is a summary of long-term debt outstanding:

General Obligation Notes Series A of 2019, in the amount of \$14,005,000 were issued to fund the acquisition of a building. Principal payments are due annually and interest payments are due annually at rates between 5.00% to 5.50% through June 1, 2049. A discount of \$186,995 was recorded on the issuance of the 2019 Series A. The discount will be amortized on a straight-line basis over the life of the Series A. The outstanding principal balance at June 30, 2025, amounted to \$13,405,000.

**NOTE H - EMPLOYEE BENEFIT PLAN**

The School maintains a 403(b) plan whereby, upon achieving minimum eligibility requirements, employees may elect to make voluntary contributions pursuant to a salary reduction agreement. The School provides a discretionary nonelective contribution under the plan. The School's contributions to the plan for the year ended June 30, 2025, amounted to \$219,723.

**NOTE I - RISK MANAGEMENT**

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

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE J - COMMITMENTS AND CONTINGENCIES**

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

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

**NOTE K - LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)**

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

Charter schools are funded by the local public school district. For each non-special education student enrolled, the charter school receives no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2025, the rate was \$12,709 per year per student for all students, plus an additional \$27,203 funding for special education students. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$9,225,610 for the year ended June 30, 2025.

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

**NOTE L - ECONOMIC DEPENDENCY**

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

Charges to school districts	88.17%
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**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**NOTE M - RELATED-PARTY TRANSACTIONS**

**Academic and Business Services**

On June 10, 2015, the School entered into an Academic and Business Services Agreement with Freire Schools Collaborative. The agreement ends on the expiration of the current Freire Charter. Under the terms of the agreement, Freire Schools Collaborative provides academic and business services for a fee equal to an agreed upon percentage of federal, state, and local revenues that the School receives, directly or indirectly, for students enrolled in the School. From July 1, 2024 to June 30, 2025 this fee was set at 11.5%. Fees paid under this agreement during the year ended June 30, 2025, totaled \$1,158,843.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support	\$ 8,716,000	\$ 8,716,000	\$ 9,255,610	\$ 539,610
State support	92,000	92,000	211,617	119,617
Federal support	1,025,000	1,025,000	1,061,009	36,009
Other Revenue	125,000	125,000	140,489	15,489
TOTAL REVENUES	<u>9,958,000</u>	<u>9,958,000</u>	<u>10,668,725</u>	<u>710,725</u>
<b>EXPENDITURES</b>				
Instruction	4,706,916	4,706,916	4,467,184	239,732
Support services	4,515,516	4,515,516	4,394,981	120,535
Operation of non-instructional services	560,717	560,717	479,597	81,120
Debt service	997,000	997,000	994,888	2,112
TOTAL EXPENDITURES	<u>10,780,149</u>	<u>10,780,149</u>	<u>10,336,650</u>	<u>443,499</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (822,149)</u>	<u>\$ (822,149)</u>	<u>\$ 332,075</u>	<u>\$ 1,154,224</u>

See accompanying notes to the required supplementary information.

**TECH FREIRE CHARTER SCHOOL**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

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**NOTE A - BASIS OF ACCOUNTING**

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

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

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

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

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

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

To the Board of Directors  
TECH Freire Charter School  
Philadelphia, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit and the major fund of TECH Freire Charter School as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise TECH Freire Charter School's basic financial statements, and have issued our report thereon dated October 21, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

To the Board of Directors  
TECH Freire Charter School  
Philadelphia, Pennsylvania

## **Report on Compliance and Other Matters**

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

### ***Purpose of this Report***

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

*Maillie LLP*

New Castle, Delaware  
October 21, 2025