

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2021

INTRODUCTORY SECTION

FREIRE CHARTER SCHOOL WILMINGTON, INC.

(A Component Unit of the State of Delaware)

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FREIRE CHARTER SCHOOL WILMINGTON, INC.

(A Component Unit of the State of Delaware)

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Freire Charter School Wilmington, Inc. (a component unit of the State of Delaware) as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Freire Charter School Wilmington, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Freire Charter School Wilmington, Inc. as of June 30, 2021, 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 (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 12, budgetary comparison information on page 39, schedule of the school's proportionate share of net OPEB liability on page 41, schedule of school contributions on page 42, schedule of the school's proportionate share of net pension liability on page 43, and schedule of school contributions on page 44 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Freire Charter School Wilmington, Inc.'s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021, on our consideration of the Freire Charter School Wilmington, Inc.'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 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 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 Freire Charter School Wilmington, Inc.'s internal control over financial reporting and compliance.

Maillie LLP

West Chester, Pennsylvania
September 22, 2021

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The Freire Charter School Wilmington, Inc. (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, 2021, its 6th year of operation as contained in the report on its financial statements prepared by the School's outside auditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Position (page 13) presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the financial position of the School is improving or deteriorating.

The Statement of Activities (page 14) presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The net position of the School at the close of the fiscal year is \$(5,894,565). This is net of the School's share of the State of Delaware's Pension and Other Postemployment Benefits liabilities, deferred inflows of resources, and deferred outflows of resources of \$7,799,474. Without the School's share of these liabilities, deferred inflows of resources, and deferred outflows of resources, the School's net position is \$1,904,909, representing an increase of \$483,958 from June 30, 2020.

Fund Financial Statements

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

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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

As of the close of the current fiscal year, the School's Governmental Fund (the General Fund) reported an ending fund balance of \$1,065,339, representing an increase of \$186,177 from June 30, 2020.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget, the Schedule of the School's proportionate share of the net OPEB liability, as well as the Schedule of the School's proportionate share of the net pension liability. The required supplementary information can be found on pages 39 through 44.

Single Audit Requirements

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

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.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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.

Condensed Statements of Net Position
Years Ended June 30, 2021 and 2020

	Governmental Activities		
	2021	2020	Variance
ASSETS			
Current and other assets	\$ 1,686,052	\$ 1,436,665	\$ 249,387
Capital assets	1,437,811	1,482,326	(44,515)
TOTAL ASSETS	<u>3,123,863</u>	<u>2,918,991</u>	<u>204,872</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>8,086,958</u>	<u>4,887,431</u>	<u>3,199,527</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,210,821</u>	<u>\$ 7,806,422</u>	<u>\$ 3,404,399</u>
LIABILITIES			
Current liabilities	\$ 1,218,954	\$ 599,311	\$ 619,643
Noncurrent liabilities	14,023,978	10,974,078	3,049,900
TOTAL LIABILITIES	<u>15,242,932</u>	<u>11,573,389</u>	<u>3,669,543</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,862,454</u>	<u>1,435,940</u>	<u>426,514</u>
NET POSITION			
Net investment in capital assets	839,570	541,789	297,781
Unrestricted	<u>(6,734,135)</u>	<u>(5,744,696)</u>	<u>(989,439)</u>
TOTAL NET POSITION, RESTATED*	<u>(5,894,565)</u>	<u>(5,202,907) *</u>	<u>(691,658)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 11,210,821</u>	<u>\$ 7,806,422</u>	<u>\$ 3,404,399</u>

The net investment in capital assets component of the School's net position as of June 30, 2021, \$839,570, is reflected as invested in capital assets (e.g., furniture, equipment and others), less any debt outstanding that was needed to acquire or construct the assets. There was \$598,241 in outstanding debt relating to the acquisition of capital assets at June 30, 2021.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Condensed Statements of Changes in Net Position
Years Ended June 30, 2021 and 2020

	Governmental Activities		
	2021	2020	Variance
REVENUES			
Charges to school districts	\$ 2,670,557	\$ 2,494,763	\$ 175,794
State aid not restricted to specific purposes	4,369,851	4,343,325	26,526
Donations	500	240,028	(239,528)
Operating grants and contributions	1,027,739	790,842	236,897
Other local services	31,235	67,275	(36,040)
TOTAL REVENUES	<u>8,099,882</u>	<u>7,936,233</u>	<u>163,649</u>
EXPENSES			
Instructional services	7,195,107	7,042,259	152,848
Support services			
Transportation	346,660	408,567	(61,907)
Operation and maintenance of facilities	1,204,151	1,188,454	15,697
School food services	-	34,002	(34,002)
Interest expense	45,622	47,494	(1,872)
TOTAL EXPENSES	<u>8,791,540</u>	<u>8,720,776</u>	<u>70,764</u>
CHANGE IN NET POSITION	(691,658)	(784,543)	92,885
NET POSITION AT BEGINNING OF YEAR, RESTATED*	<u>(5,202,907) *</u>	<u>(4,268,494)</u>	<u>(934,413)</u>
EFFECTIVE RESTATEMENT	-	(149,870)	149,870
NET POSITION AT END OF YEAR	<u>\$ (5,894,565)</u>	<u>\$ (5,202,907)</u>	<u>\$ (691,658)</u>

The School's change in net position for the fiscal year is \$(691,658). This is net of the change of the State of Delaware's Pension and Other Postemployment Benefits liabilities, deferred outflows of resources, and deferred inflows of resources \$1,175,616. Without the School's share of these liabilities, the School's change in net position is \$483,958.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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 2021, the fund balance was \$1,065,339.

The following schedule presents General Fund revenues and expenditures for 2021 compared to budget.

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Cash Basis	Final Budget Positive (Negative)
REVENUES				
State support	\$ 4,156,356	\$ 4,303,947	\$ 4,369,851	\$ 65,904
Federal support	923,079	1,067,987	1,027,739	(40,248)
Charges to school districts	2,287,400	2,675,144	2,670,557	(4,587)
Contributions/Other Local Sources	419,375	440,000	31,735	(408,265)
TOTAL REVENUES	7,786,210	8,487,078	8,099,882	(387,196)
EXPENDITURES				
Salaries	2,855,268	2,853,990	2,747,022	106,968
Employment costs	1,345,759	1,341,500	1,322,569	18,931
Instructional Costs	434,830	450,618	441,107	9,511
Student support services	208,161	253,718	199,312	54,406
Instructional Support services	88,250	214,285	209,538	4,747
General admin	21,500	20,000	5,655	14,345
Central Services	846,844	933,427	909,307	24,120
Facilities	1,290,787	1,269,402	1,195,582	73,820
Student transportation	391,500	480,435	343,811	136,624
Food services	34,000	34,000	-	34,000
Debt services	87,918	387,918	387,918	-
Capital purchases	50,000	70,276	112,128	(41,852)
Contingency	128,875	139,582	-	139,582
TOTAL EXPENDITURES	7,783,692	8,449,151	7,873,949	575,202
NET CHANGE IN FUND BALANCE	\$ 2,518	\$ 37,927	\$ 225,933	\$ 188,006

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget contained \$8,487,078 of revenues and \$8,449,151 of expenditures. The actual results were revenues of \$387,196 under budget and expenditures of \$575,202 under budget.

- Total revenues were over budget by \$387,196. The largest revenue variance was from Contributions and Other Local Sources. The school budgeted \$300,000 of reserves to fund a one-time \$300,000 discretionary loan repayment. The discretionary loan repayment was paid using current year local funds rather than prior year reserves.
- Salaries and employment costs were under budget by \$106,968 and \$18,931, respectively. These variances were primarily due to less after school and other extra duties contracts awarded as a result of being in a remote learning environment.
- Student Support Services was \$54,406 below budget. The School's after school programming and other student activities were significantly below budget due to being in a remote learning environment.
- Facilities Costs were \$73,820. Utilities and facility supplies were significantly below budget due to the facility being closed during remote learning.
- Student transportation was \$136,624 below budget. The School did not need to purchase any public transportation passes for students during remote learning.
- The School's contingency reserve was under budget by \$139,582. This line item is for budgeting purposes only (actual expenses are not recorded here). Any unbudgeted expenses are recorded to the appropriate category, not contingency reserve.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the School had invested \$1,437,811, net of accumulated depreciation, in its capital assets.

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 260,710	\$ 242,859
Computer equipment	279,621	279,620
Leasehold improvements	1,591,658	1,591,659
Accumulated depreciation	<u>(694,178)</u>	<u>(653,678)</u>
	<u>\$ 1,437,811</u>	<u>\$ 1,460,460</u>

Major capital asset events during the 2021 fiscal year included the following:

- \$95,000 for classroom instructional equipment.
- \$18,000 for cameras, speakers, and other facility equipment.

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

Long-Term Debt

In addition to its regularly scheduled debt service payments, the School made a discretionary loan payment of \$300,000 during the fiscal year. At the end of the current fiscal year, the School had total debt outstanding of \$598,241. In August 2021, these loans were refinanced into one loan fully maturing in September 2028. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

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 William Ray, Controller, Freire Schools Collaborative, 1617 JFK Boulevard, Suite 1260, Philadelphia, PA 19103.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

STATEMENT OF NET POSITION
 JUNE 30, 2021

ASSETS	
Cash and cash equivalents	\$ 1,608,783
Prepaid expenses	58,574
Capital assets	
Depreciable assets	2,131,989
Accumulated depreciation	<u>(694,178)</u>
TOTAL CAPITAL ASSETS	1,437,811
Security deposit	18,695
TOTAL ASSETS	<u>3,123,863</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, other postemployment benefits	6,862,133
Deferred outflows of resources, pension activity	<u>1,224,825</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,086,958</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 11,210,821</u>
LIABILITIES	
Accounts payable	\$ 54,826
Accrued salaries and related costs	552,770
Other current liabilities	13,117
Long-term liabilities	
Portion due within one year	
Loan payable	598,241
Portion due after one year	
Net OPEB liability	12,319,956
Net pension liability	<u>1,704,022</u>
TOTAL LIABILITIES	<u>15,242,932</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, other postemployment benefits	1,561,238
Deferred inflows of resources, pension activity	<u>301,216</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,862,454</u>
NET POSITION	
Net investment in capital assets	839,570
Unrestricted	<u>(6,734,135)</u>
TOTAL NET POSITION	<u>(5,894,565)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 11,210,821</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ 7,195,107	\$ -	\$ 1,027,739	\$ -	\$ (6,167,368)
Supporting services					
Transportation	346,660	-	-	-	(346,660)
Operation and maintenance of facilities	1,204,151	-	-	-	(1,204,151)
Interest expense	45,622	-	-	-	(45,622)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,791,540	\$ -	\$ 1,027,739	\$ -	(7,763,801)
GENERAL REVENUES					
					2,670,557
					4,369,851
					500
					31,235
					<u>7,072,143</u>
					(691,658)
					<u>(5,202,907)</u>
					<u>\$ (5,894,565)</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

	<u>General Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 1,608,783
Prepaid expenses	58,574
Security deposit	<u>18,695</u>
TOTAL ASSETS	<u>\$ 1,686,052</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 54,826
Accrued salaries and related costs	552,770
Other liabilities	<u>13,117</u>
TOTAL LIABILITIES	<u>620,713</u>
FUND BALANCE	
Nonspendable	58,574
Unassigned	<u>1,006,765</u>
TOTAL FUND BALANCE	<u>1,065,339</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,686,052</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2021

TOTAL GOVERNMENTAL FUND BALANCE	\$ <u>1,065,339</u>
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Fund. These assets consist of:</p>	
Depreciable assets	2,131,989
Accumulated depreciation	<u>(694,178)</u>
	<u>1,437,811</u>
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund.</p>	
Deferred outflows of resources related to other postemployment benefits	6,862,133
Deferred outflows of resources related to pension activities	<u>1,224,825</u>
	<u>8,086,958</u>
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund. Those liabilities consist of:</p>	
Current portion of debt payable	(598,241)
Net OPEB liability	(12,319,956)
Net pension liability	(1,704,022)
Deferred inflows of resources related to other postemployment benefits	(1,561,238)
Deferred inflows of resources related to pension activities	<u>(301,216)</u>
	<u>(16,484,673)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(5,894,565)</u></u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
REVENUES	
State support	\$ 4,369,851
Federal support	1,027,739
Charges to school districts	2,670,557
Contributions	500
Other local sources	<u>31,235</u>
TOTAL REVENUES	<u>8,099,882</u>
EXPENDITURES	
Current	
Instructional services	5,875,875
Supporting services	
Transportation	346,660
Operation and maintenance of facilities	1,191,124
Debt service	387,918
Capital outlays	<u>112,128</u>
TOTAL EXPENDITURES	<u>7,913,705</u>
NET CHANGE IN FUND BALANCE	186,177
FUND BALANCE AT BEGINNING OF YEAR	<u>879,162</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,065,339</u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$	186,177
Capital outlays are reported in the Governmental Fund as expenditures.		
Capital outlays		112,128
Depreciation		(156,643)
The Governmental Fund reports pension contributions as expenditures.		(26,107)
The Governmental Fund reports OPEB contributions as expenditures.		(1,149,509)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Fund.		
Repayment of debt		<u>342,296</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(691,658)</u></u>

See accompanying notes to the basic financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

The Freire Charter School Wilmington, Inc. (the "School") was formed in 2013 as a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School's first year of operations began July 1, 2015. The School was established to provide college-preparatory learning experience with a focus on individual freedom, critical thinking, and problem solving in an environment that emphasizes the values of community, teamwork, and nonviolence.

The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent Board of Directors. In Delaware, 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

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The GASB established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School's financial reporting entity are financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based upon the above criteria, the School has no component units for which it is considered to be financially accountable.

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. For the most part, the effect of interfund activity has been removed from these statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (such as pledges being restricted for specific use), 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.

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.

Charges 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.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents of the School are controlled by the State Treasurer's Office in Dover, Delaware, and include cash on hand and demand deposits.

Accounts and Pledges 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, 2021.

Capital Assets

The School defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

	<u>Years</u>
Leasehold improvements	17-21
Furniture and equipment	5-10
Computers	3-5

Compensated Absences

Vacation and sick pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. Availability for these amounts is reported in the Governmental Fund only when the liability matures, for example as a result of employee resignations and retirement.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation - Vacation cannot be accumulated from year to year. Any unused vacation days as of June 30 of each year lapse and are unpaid.

Sick Leave - Sick leave allowances cannot be accumulated from year to year.

There were no compensated absences as of June 30, 2021.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has only two items that qualify for reporting in this category. They are the deferred outflow related to OPEB activity and deferred outflow related to pension activity, both of which are reported in the government-wide statement of net position. The deferred outflow related to OPEB activity is the result of changes in the School's proportionate share of the total plan from year to year, changes in assumptions and actual contributions subsequent to the measurement date. The deferred outflow related to pension activity is the result of changes in the School's proportionate share of the total plan from year to year, the changes in assumptions, the difference between projected and actual experience, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has only two items that qualify for reporting in this category. They are deferred inflows related to OPEB activity and deferred inflows related to pension activity, both of which are reported in the government-wide statement of net position. The deferred inflow related to OPEB activity is the result of changes in assumptions, differences between projected and actual investment earnings and difference between projected and actual experience. The deferred inflow related to pension activity is the result of differences between projected and actual experience. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **Non-spendable** - 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. As of June 30, 2021, the School has \$58,574 of prepaid expenses classified as non-spendable fund.
- **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 fund balance as of June 30, 2021.
- **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, 2021.
- **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, 2021.
- **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.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service (IRS) Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the School qualifies for the charitable contribution deduction under IRS Section 170(b)(1)(A) and as such has been classified as an organization that is not a private foundation under Section 509 (a)(2).

The Financial Accounting Standards Board on statements pertaining to the Accounting for Uncertainty in Income Taxes recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the School for the three prior fiscal years are subject to examination by the IRS, generally for three years after the returns are filed. The tax positions taken for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

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.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2021, the School had cash and cash equivalents of \$ 1,608,783. Substantially all cash and cash equivalents are part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and any investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in the financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at the time of purchase of one year or less are stated at cost or amortized cost. Because the State of Delaware investment pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is deemed to be a cash equivalent.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE C - CAPITAL ASSETS

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

	Beginning Balance <u>July 1, 2020</u>	Increases	Decreases	Ending Balance <u>June 30, 2021</u>
CAPITAL ASSETS BEING DEPRECIATED				
Leasehold improvements	\$ 1,591,659	\$ -	\$ -	\$ 1,591,659
Furniture and equipment	242,859	17,851	-	260,710
Computers	301,486	94,277	(116,143)	279,620
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>2,136,004</u>	<u>112,128</u>	<u>(116,143)</u>	<u>2,131,989</u>
Accumulated depreciation				
Leasehold improvements	(348,528)	(82,264)	-	(430,792)
Furniture and equipment	(113,515)	(27,148)	-	(140,663)
Computers	(191,635)	(47,231)	116,143	(122,723)
TOTAL ACCUMULATED DEPRECIATION	<u>(653,678)</u>	<u>(156,643)</u>	<u>116,143</u>	<u>(694,178)</u>
CAPITAL ASSETS BEING DEPRECIATED, net	<u>1,482,326</u>	<u>(44,515)</u>	<u>-</u>	<u>1,437,811</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net				
	<u>\$ 1,482,326</u>	<u>\$ (44,515)</u>	<u>\$ -</u>	<u>\$ 1,437,811</u>

Depreciation expense was \$156,643 for the year ended June 30, 2021 and is allocated \$82,264 to operations and \$74,379 to instructional services in the accompanying statement of activities.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities obligations as of June 30, 2021, are as follows:

Term loan with a bank, interest of 5.0% per annum, paid in monthly installments of \$5,279.65, with the remaining balance due August 2021.	\$ 338,444
Term loan with a bank, no payments for the first eight months ended August 2016, after that monthly payments of \$2,046.83 including principal and interest at 5.0% based on a 20-year amortization schedule with the remaining balance due August 2021.	259,797
Net pension liability	1,704,022
Net OPEB liability	12,319,956
	<u>14,622,219</u>
Current portion	<u>(598,241)</u>
	<u>\$ 14,023,978</u>

Changes in long-term liabilities for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
LOANS PAYABLE					
Barclays' - Phase 1	\$ 669,475	\$ -	\$ (331,031)	\$ 338,444	\$ 338,444
Barclays' - Phase 2	<u>271,062</u>	<u>-</u>	<u>(11,265)</u>	<u>259,797</u>	<u>259,797</u>
TOTAL LOANS PAYABLE	940,537	-	(342,296)	598,241	598,241
PENSION AND OPEB LIABILITY					
Net pension liability	1,684,197	19,825	-	1,704,022	-
Net OPEB liability	<u>8,391,152</u>	<u>3,928,804</u>	<u>-</u>	<u>12,319,956</u>	<u>-</u>
TOTAL PENSION AND OPEB LIABILITY	10,075,349	3,948,629	-	14,023,978	-
LONG-TERM LIABILITIES	<u>\$ 11,015,886</u>	<u>\$ 3,948,629</u>	<u>\$ (342,296)</u>	<u>\$ 14,622,219</u>	<u>\$ 598,241</u>

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE D - LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ <u>598,241</u>	\$ <u>3,747</u>	\$ <u>601,988</u>

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description

The State of Delaware’s Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined benefit plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees’ Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan’s assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Financial Statements available online at <https://open.omb.delaware.gov/Financials.shtml>.

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees’, New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State’s component units and affiliated agencies which are part of the State Employees’ Pension Plan. Those employers include Delaware Charter Schools. The participant’s cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree’s death.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funding Policy

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of Plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

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

At June 30, 2021, the School reported a liability of \$12,319,956 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total OPEB liability to June 30, 2020. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions of all participating employers, actuarially determined. At June 30, 2020, the School's proportion was 0.1183%, which is an increase of .0130% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School recognized OPEB expense of \$1,149,509. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 4,094,550	\$ -
Changes in assumptions	2,083,340	700,685
Difference between projected and actual investment earnings	-	13,686
Difference between projected and actual experience	357,717	846,866
Contributions subsequent to the measurement date	<u>326,526</u>	<u>-</u>
	<u>\$ 6,862,133</u>	<u>\$ 1,561,238</u>

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

\$326,526 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2021	\$ (127,101)
2022	(99,759)
2023	1,203,754
2024	1,652,504
2025	<u>2,344,972</u>
	<u>\$ 4,974,370</u>

Actuarial Assumptions

The collective OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

- Discount Rate – 2.21%
- Projected salary increases – 3.25% + Merit
- Healthcare cost trend rates – 5.60%

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Investments

Investment Policy - The State Board of Pension Trustees is responsible for the management and investment of funds in the OPEB Trust. The Board authorized its investment committee to select the investment managers of the OPEB Trust following the established investment guidelines for DPERS until a separate investment policy is adopted for the OPEB Trust. The guidelines follow the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the DPERS' policy benchmark. The Investment Committee regularly reviews the OPEB investment performance and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Plan assets are managed on a total return basis.

Rate of Return - For the year ended June 30, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.79% for the Delaware Postretirement Health Plan and 5.83% for the Delaware Local Government OPEB Investment Trust. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on the OPEB Trust plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 (see the discussion of the OPEB Trust's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	34.00%	5.70%
International equities	12.30%	5.70%
Fixed income	25.60%	2.00%
Alternative investments	22.40%	7.80%
Cash and cash equivalents	5.70%	0.00%
	<u>100.00%</u>	

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 percent at the beginning of the current measurement period and 3.87 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2020 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current discount rate:

	<u>1% Decrease 1.21%</u>	<u>Discount Rate 2.21%</u>	<u>1% Increase 3.21%</u>
Net OPEB liability	\$ <u>14,765,129</u>	\$ <u>12,319,956</u>	\$ <u>10,405,027</u>

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.6% decreasing to 4.6%) or 1-percentage point higher (4.6% increasing to 6.6%) than the current healthcare cost trend rates:

	<u>1% Decrease 4.6%</u>	<u>Healthcare Cost Trend 5.6%</u>	<u>1% Increase 6.6%</u>
Net OPEB liability	\$ <u>11,558,135</u>	\$ <u>12,319,956</u>	\$ <u>13,475,567</u>

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position can be found in the separately issued State of Delaware Comprehensive Annual Financial Report available online at <https://accounting.delaware.gov/>.

NOTE F - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan Description - DPERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to virtually all full-time or regular part-time employees of the State of Delaware, including employees of other affiliated entities. There are two tiers within the plan: 1) Employees hired prior to January 1, 2012 (Pre-2012), and 2) Employees hired on or after January 1, 2012 (Post-2011). DPERS issues a publicly available financial report that can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd., Dover, DE 19904.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F - PENSION PLAN (Continued)

Benefits Provided - DPERS provides retirement, disability and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credited service; (b) age 60 with 15 years of credited service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least ten years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 67.7% with 2% reduction, 75% with 3% reduction, or 100% with 6% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

Contributions

Members Contributions

- Pre-2012 members contribute at 3% of earnings in excess of \$6,000.
- Post-2011 members contribute at 5% of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 11.96% of earnings for the Fiscal Year 2021. Contributions to the plan from the School were \$341,119 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$1,704,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2020, the School's proportion was 0.1212%, which was an increase of 0.0131%.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F - PENSION PLAN (Continued)

For the year ended June 30, 2021, the School recognized pension expense of \$26,107. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 222,144	\$ 5,119
Changes in assumptions	119,370	-
Net difference between projected and actual investment earnings	-	296,097
Changes in proportions	542,192	-
Contributions subsequent to the measurement date	<u>341,119</u>	<u>-</u>
	<u>\$ 1,224,825</u>	<u>\$ 301,216</u>

\$341,119 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (335,750)
2022	297,518
2023	614,169
2024	(280,732)
2025	<u>287,284</u>
	<u>\$ 582,490</u>

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.0%, includes inflation at 2.5%
- **Salary Increases** - 2.5% + Merit, includes inflation at 2.5%
- Mortality rates are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	28.5%	5.7%
International equity	15.2%	5.7%
Fixed income	28.8%	2.0%
Alternative investments	23.0%	7.8%
Cash and equivalents	4.5%	0.0%
	<u>100.0%</u>	

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE F - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Charter School's proportionate share of the net pension liability	\$ <u>3,271,266</u>	\$ <u>1,704,022</u>	\$ <u>382,862</u>

Pension Plan Fiduciary Net Position - Detailed information about DPERS’s fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Boulevard, Dover, DE 19904.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE G - LEASING ARRANGEMENT

The School entered into a lease for facilities beginning August 1, 2015, for a 16 year term ending August 31, 2031.

Future minimum rental payments under this lease is as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 691,305
2023	695,313
2024	695,790
2025	696,276
2026	696,771
Thereafter	<u>3,816,188</u>
	<u>\$ 7,291,643</u>

Rental expense for the year ending June 30, 2021 was \$675,110.

NOTE H - RISK MANAGEMENT

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

NOTE I - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the General Fund. The School's administration believes such disallowance, if any, would be immaterial.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE J - ECONOMIC DEPENDENCY

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

State support.....	54%
Charges to school districts	33%
Federal support.....	13%

NOTE K - RELATED-PARTY TRANSACTIONS

Academic and Business Services

On June 8, 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 8% of federal, state, and local revenues that the School receives, directly or indirectly, for students enrolled in the School. Fees paid under this agreement during the year ended June 30, 2021, totaled \$598,561.

NOTE L - PRIOR PERIOD ADJUSTMENT

During the year, the School became aware of an adjustment needed to correct capital assets and accumulated depreciation. As a result of the adjustment, the beginning net position, capital assets, accumulated depreciation, and instructional services expenses have been impacted. The beginning net position decreased from \$(5,053,037) to \$(5,202,907), capital assets decreased by \$155,037, accumulated depreciation decreased by \$5,167 and instructional services expenses increased by \$149,870.

NOTE M - SUBSEQUENT EVENT

On August 18, 2021, the School refinanced their outstanding Barclays loans. The new 7-year term loan will be for \$598,241 at an interest rate of 4.5%. Monthly payments will be \$8,335 until maturity in August 2028.

REQUIRED SUPPLEMENTARY INFORMATION

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Cash Basis	Final Budget Positive (Negative)
REVENUES				
State support	\$ 4,156,356	\$ 4,303,947	\$ 4,369,851	\$ 65,904
Federal support	923,079	1,067,987	1,027,739	(40,248)
Charges to school districts	2,287,400	2,675,144	2,670,557	(4,587)
Contributions/other local sources	419,375	440,000	31,735	(408,265)
TOTAL REVENUES	7,786,210	8,487,078	8,099,882	(387,196)
EXPENDITURES				
Salaries	2,855,268	2,853,990	2,747,022	106,968
Employment costs	1,345,759	1,341,500	1,322,569	18,931
Instructional costs	434,830	450,618	441,107	9,511
Student support services	208,161	253,718	199,312	54,406
Instructional support services	88,250	214,285	209,538	4,747
General admin	21,500	20,000	5,655	14,345
Central services	846,844	933,427	909,307	24,120
Facilities	1,290,787	1,269,402	1,195,582	73,820
Student transportation	391,500	480,435	343,811	136,624
Food services	34,000	34,000	-	34,000
Debt services	87,918	387,918	387,918	-
Capital purchases	50,000	70,276	112,128	(41,852)
Contingency	128,875	139,582	-	139,582
TOTAL EXPENDITURES	7,783,692	8,449,151	7,873,949	575,202
NET CHANGE IN FUND BALANCE	\$ 2,518	\$ 37,927	\$ 225,933	\$ 188,006

See accompanying notes to the required supplementary information.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2021

NOTE A - BASIS OF ACCOUNTING

The School’s budget is prepared on the cash basis of accounting. The amount reported as “net change in fund balance” on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. This amount differs from the “net change in fund balance” reported on the statement of revenues, expenditures and changes in fund balance, Governmental Fund on page 17.

That statement is prepared on 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the net change in fund balance per the budgetary basis to the net change in fund balance per the modified accrual basis.

CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ 225,933
Net increase in accrued salaries and related costs	<u>(39,756)</u>
 CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS	 \$ <u>186,177</u>

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following functions:

Capital purchases	\$ <u>41,852</u>
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The excess expenditures were funded by additional grant revenue received for capital purchases and other expense line items that were below budget.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
LAST FOUR FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net OPEB liability	<u>0.11830%</u>	<u>0.10530%</u>	<u>0.0884%</u>	<u>0.0581%</u>
School's proportionate share of the net OPEB liability	\$ <u>12,319,956</u>	\$ <u>8,391,152</u>	\$ <u>7,258,039</u>	\$ <u>4,792,833</u>
School's covered payroll	\$ <u>2,641,986</u>	\$ <u>2,548,464</u>	\$ <u>1,958,727</u>	\$ <u>1,157,422</u>
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>466.31%</u>	<u>329.26%</u>	<u>370.55%</u>	<u>414.10%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>4.27%</u>	<u>4.89%</u>	<u>4.44%</u>	<u>3.30%</u>

NOTES TO SCHEDULE

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

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

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 326,526	\$ 326,973	\$ 264,622	\$ 198,576
Contributions in relation to the contractually required contribution	<u>326,526</u>	<u>326,973</u>	<u>264,622</u>	<u>198,576</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,852,166</u>	<u>\$ 2,641,986</u>	<u>\$ 2,548,464</u>	<u>\$ 1,958,727</u>
Contributions as a percentage of covered payroll	<u>11.45%</u>	<u>12.38%</u>	<u>10.38%</u>	<u>10.14%</u>

NOTE TO SCHEDULE

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

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net pension liability	<u>0.1212%</u>	<u>0.1081%</u>	<u>0.0907%</u>	<u>0.0594%</u>	<u>0.0385%</u>
School's proportionate share of the net pension liability	\$ <u>1,704,022</u>	\$ <u>1,684,197</u>	\$ <u>1,171,376</u>	\$ <u>871,011</u>	\$ <u>580,928</u>
School's covered payroll	\$ <u>2,641,986</u>	\$ <u>2,548,464</u>	\$ <u>1,958,727</u>	\$ <u>1,157,422</u>	\$ <u>736,753</u>
School's proportionate share of the net pension liability as a percentage of its covered payroll	<u>64.50%</u>	<u>66.09%</u>	<u>59.80%</u>	<u>75.25%</u>	<u>78.85%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>87.27%</u>	<u>85.41%</u>	<u>87.49%</u>	<u>85.31%</u>	<u>84.11%</u>

NOTES TO SCHEDULE

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

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

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 341,119	\$ 312,547	\$ 265,550	\$ 187,646	\$ 110,881
Contributions in relation to the contractually required contribution	<u>341,119</u>	<u>312,547</u>	<u>265,550</u>	<u>187,646</u>	<u>110,881</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>				
Covered payroll	<u>\$ 2,852,166</u>	<u>\$ 2,641,986</u>	<u>\$ 2,548,464</u>	<u>\$ 1,958,727</u>	<u>\$ 1,157,422</u>
Contributions as a percentage of covered payroll	<u>11.96%</u>	<u>11.83%</u>	<u>10.42%</u>	<u>9.58%</u>	<u>9.58%</u>

NOTE TO SCHEDULE

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

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

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Freire Charter School Wilmington, Inc. as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Freire Charter School Wilmington, Inc.'s basic financial statements, and have issued our report thereon dated September 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Freire Charter School Wilmington, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Freire Charter School Wilmington, Inc.'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Compliance and Other Matters

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

Purpose of this Report

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

Maillie LLP

West Chester, Pennsylvania
September 22, 2021

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance***

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Report on Compliance for Each Major Federal Program

We have audited Freire Charter School Wilmington, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Freire Charter School Wilmington, Inc.'s major federal programs for the year ended June 30, 2021. Freire Charter School Wilmington, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Freire Charter School Wilmington, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Freire Charter School Wilmington, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Freire Charter School Wilmington, Inc.'s compliance.

To the Board of Directors
Freire Charter School Wilmington, Inc.
Wilmington, Delaware

Opinion on Each Major Federal Program

In our opinion, Freire Charter School Wilmington, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Freire Charter School Wilmington, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Freire Charter School Wilmington, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Freire Charter School Wilmington, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.



West Chester, Pennsylvania
September 22, 2021

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

FREIRE CHARTER SCHOOL WILMINGTON, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION			
Passed through the Delaware Department of Education			
Title I Improving Basic Programs	84.010	41-21	8/7/20 - 9/30/22
Title II Improving Teacher Quality	84.367	41-21	8/7/20 - 9/30/22
21st Century Community Learning Centers	84.287	5-19	5/1/19 - 9/30/20
21st Century Community Learning Centers	84.287	03-20	7/1/19 - 9/30/20
21st Century Community Learning Centers	84.287	22-20	5/1/20 - 7/31/21
21st Century Community Learning Centers	84.287	25-21	5/1/21 - 4/30/22
TOTAL 21st CENTURY			
Education Stabilization Fund (ESSER-I)	84.425D	41-20	3/13/20 - 9/30/22
Education Stabilization Fund (GEER)	84.425C	2020-026	3/13/20 - 10/31/21
Education Stabilization Fund (ESSER-III)	84.425D	n/a	3/13/20-9/30/23
TOTAL ESSER			
Education Stabilization Fund (NCC Cares)	84.282B	n/a	3/1/20 - 12/30/20
Special Education Cluster			
Individual Disability Education Act	84.027	41-21	8/7/20 - 9/30/22
Student Support and Academic Enrichment	84.424	41-21	8/7/20 - 9/30/22
TOTAL DELAWARE DEPARTMENT OF EDUCATION			
TOTAL U.S. DEPARTMENT OF EDUCATION			
TOTAL FEDERAL AWARDS			

See accompanying notes to schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Passed Through to Sub-Recipients</u>
\$ 250,436	\$ 250,436	\$ -	\$ 250,436	\$ 250,436	\$ -	\$ -
41,338	41,338	-	41,338	41,338	-	-
300,000	-	(43,162)	43,162	43,162	-	-
133,200	-	(33,024)	33,024	33,024	-	-
300,000	-	(300,000)	244,714	244,714	(55,286)	-
75,000	75,000	-	4,360	4,360	(70,640)	-
	<u>75,000</u>	<u>(376,186)</u>	<u>325,260</u>	<u>325,260</u>	<u>(125,926)</u>	<u>-</u>
201,449	201,449	-	201,449	201,449	-	-
35,000	35,000	-	35,000	35,000	-	-
1,224,030	1,224,030	-	-	-	(1,224,030)	-
	<u>1,460,479</u>	<u>-</u>	<u>236,449</u>	<u>236,449</u>	<u>(1,224,030)</u>	<u>-</u>
24,350	24,350	-	24,350	24,350	-	-
121,660	121,660	-	121,660	121,660	-	-
28,246	28,246	-	28,246	28,246	-	-
	<u>2,001,509</u>	<u>-</u>	<u>1,027,739</u>	<u>1,027,739</u>	<u>(1,349,956)</u>	<u>-</u>
	<u>2,001,509</u>	<u>-</u>	<u>1,027,739</u>	<u>1,027,739</u>	<u>(1,349,956)</u>	<u>-</u>
\$ <u>2,001,509</u>	\$ <u>-</u>	\$ <u>1,027,739</u>	\$ <u>1,027,739</u>	\$ <u>(1,349,956)</u>	\$ <u>-</u>	

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Freire Charter School Wilmington, Inc. ("the School"). The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of, the basic financial statements.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The School has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance, Section 414.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Freire Charter School Wilmington, Inc. (the "School") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses relating to the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the School expresses an unmodified opinion.
6. There were no audit findings that were required to be reported under 2 CFR Section 200.516(a).
7. The programs tested as a major program were:

Program	CFDA
21 st Century Community Learning Centers	84.287
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Freire Charter School Wilmington, Inc. was determined to be a low-risk auditee.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

There were no findings and questioned costs for federal awards, which would include audit findings as defined in the Uniform Guidance.

FREIRE CHARTER SCHOOL WILMINGTON, INC.
(A Component Unit of the State of Delaware)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

None