

FREIRE SCHOOLS COLLABORATIVE
FINANCIAL STATEMENTS

Year Ended June 30, 2025



INTRODUCTORY SECTION

FREIRE SCHOOLS COLLABORATIVE

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Freire Schools Collaborative
Philadelphia, Pennsylvania

Opinion

We have audited the financial statements of Freire Schools Collaborative, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Freire Schools Collaborative as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freire Schools Collaborative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freire Schools Collaborative's ability to continue as a going concern for one year after the date that the financial statements are issued.

To the Board of Directors
Freire Schools Collaborative
Philadelphia, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Marlie LLP

New Castle, Delaware
November 18, 2025

FREIRE SCHOOLS COLLABORATIVE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

ASSETS

CURRENT ASSETS

Cash	\$ 889,968
Due from affiliates	813,787
Prepaid expense	11,654
TOTAL CURRENT ASSETS	<u>1,715,409</u>

PROPERTY AND EQUIPMENT, net	42,886
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OPERATING LEASE RIGHT-OF-USE ASSETS, net	127,147
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OTHER ASSETS

Security deposit	<u>15,584</u>
TOTAL ASSETS	<u>\$ 1,901,026</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 35,257
Other current liabilities	172,610
Current portion of operating lease liabilities	50,234
TOTAL CURRENT LIABILITIES	<u>258,101</u>

LONG-TERM LIABILITIES

Operating lease liabilities, net of current portion	<u>82,201</u>
TOTAL LIABILITIES	<u>340,302</u>

NET ASSETS

Without donor restrictions	<u>1,560,724</u>
Undesignated	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,901,026</u>

See accompanying notes to the financial statements.

FREIRE SCHOOLS COLLABORATIVE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Academic and business services	\$ 4,514,890	\$ -	\$ 4,514,890
Grants	145,564	-	145,564
Other income	51,837	-	51,837
TOTAL SUPPORT AND REVENUE	<u>4,712,291</u>	<u>-</u>	<u>4,712,291</u>
EXPENSES			
Program services	3,365,890	-	3,365,890
Management and general	460,589	-	460,589
Fundraising	287,804	-	287,804
TOTAL EXPENSES	<u>4,114,283</u>	<u>-</u>	<u>4,114,283</u>
CHANGE IN NET ASSETS	598,008	-	598,008
NET ASSETS AT BEGINNING OF YEAR	<u>962,716</u>	<u>-</u>	<u>962,716</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,560,724</u>	<u>\$ -</u>	<u>\$ 1,560,724</u>

See accompanying notes to the financial statements.

FREIRE SCHOOLS COLLABORATIVE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Program Services	Management and General	Fundraising	Totals
FUNCTIONAL EXPENSES				
Salaries and wages	\$ 2,449,655	\$ 204,710	\$ 204,710	\$ 2,859,075
Benefits	507,542	29,804	53,646	590,992
Taxes	175,016	10,175	18,316	203,506
Professional fees	14,969	114,752	-	129,721
Marketing costs	-	928	190	1,118
Office expenses	30,941	8,942	3,238	43,121
Technology expenses	29,353	12,805	350	42,508
Lease expense	50,033	2,887	5,197	58,117
Other facility costs	2,814	164	294	3,272
Travel, conferences, and meetings	4,859	20,580	-	25,440
Insurance	13,164	765	1,378	15,307
Depreciation and amortization	4,634	269	485	5,388
Grants and other assistance	<u>82,910</u>	<u>53,808</u>	<u>-</u>	<u>136,718</u>
TOTAL FUNCTIONAL EXPENSES	\$ 3,365,890	\$ 460,589	\$ 287,804	\$ 4,114,283

See accompanying notes to the financial statements.

FREIRE SCHOOLS COLLABORATIVE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 598,008
Adjustments to reconcile change in net assets to net cash used by operating activities	
Right-of-use asset amortization	47,100
Depreciation and amortization	5,388
Changes in assets and liabilities	
Account receivable	2,311
Due from affiliates	(539,362)
Prepaid expenses	642
Accounts payable	18,383
Operating lease liability	(46,734)
Other current liabilities	21,174
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>106,910</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	<u>(37,201)</u>
NET INCREASE IN CASH	69,709
CASH AT BEGINNING OF YEAR	<u>820,259</u>
CASH AT END OF YEAR	<u>\$ 889,968</u>

See accompanying notes to the financial statements.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Freire Schools Collaborative (the “Organization”) was founded in 2015 as a nonprofit organization to provide support services to all Freire schools, current and future, including school leadership recruitment and development, governance, facilities management, strategic planning, financial management, IT services, legal, compliance, and fundraising. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is supported through business service fees received from all Freire schools.

Financial Statement Presentation

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*, which requires the Organization to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

FASB ASC 958 also requires recognition of contributions, including donated services meeting certain criteria, at fair values. FASB ASC 958 establishes standards for general-purpose external financial statements for not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized. The Organization did not have any assets with donor restrictions at June 30, 2025.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Organization maintains its records on the accrual basis for both financial statement and tax return purposes.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Uncertain Tax Positions

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of June 30, 2025, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Organization had no interest or penalties related to income taxes.

Cash and Cash Equivalents

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Due from Affiliates

Due from affiliates represents amounts due to the organization from related parties under the Academic and Business Services Agreement (Note E). All amounts are deemed collectible and, accordingly, there was no allowance for uncollectible receivables at June 30, 2025.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable arise through the normal course of business of the organization. The Organization recognizes an allowance for losses on accounts receivable equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectations of future conditions, as well as an assessment of specific identifiable accounts considered at risk of being uncollectible. The Organization assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. There was no allowance for credit losses as of June 30, 2025 as the Organization determined it to not be material.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, taxes, office expenses, technology expenses, insurance, and facility costs which are allocated based on estimates of time and effort. The remaining allocation of expenses to program, management and general, and fundraising were directly identifiable.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions and betterments are capitalized; maintenance and repairs are charged to current operations as incurred. Depreciation has been calculated on such assets using the straight-line method over the following estimated lives:

Leasehold improvements	5 years
Computers and equipment	5 years

Leases

The Organization leases certain facilities under a long-term lease agreement. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets, other current liabilities, and operating lease liability on the statements of financial position.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the organization determined and used an incremental borrowing rate.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to use the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

Restricted and Unrestricted Revenue and Support

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "Net assets released from restrictions."

Academic and Business Services

The Organization entered into an Academic and Business Services Agreement with the Freire Charter Schools. Under the terms of the agreement, the Organization provides academic and business services to all Freire schools for a pre-determined fee based on revenues that the schools receive, directly or indirectly, for students enrolled in the school. Fees received are recorded as revenue on the Statement of Activities.

Donated Services

The Organization records the value of donated services that are measurable as a contribution and as an expense. There were no donated services during the year ending June 30, 2025.

Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Organization has evaluated subsequent events through November 18, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE B - REVENUE RECOGNITION

Performance Obligations and Significant Judgements

For the year ended June 30, 2025, the Organization recognized \$4,514,890 in revenue from academic and business services. The performance obligation consists of providing Freire Charter School, TECH Freire Charter School, and Freire Charter School Wilmington academic and business services throughout the course of their agreements. Revenue is recognized over the time period of the agreement at a fee equal to 11.5% of federal, state, and local revenues that all Schools receive, directly or indirectly, for students enrolled in the Schools. See Note E for more information on these transactions.

	2025	
	Products and Services	
	Transferred	
	Point in Time	Over Time
Academic and business services	\$ <u> </u> -	\$ <u> </u> <u>4,514,890</u>

Contract Assets and Liabilities

Contract assets arise when the Organization recognizes revenue for amounts that cannot be billed under the terms of the contract with the customer. Contract liabilities arise when the Organization receives payments from customers in advance of recognizing revenues. The Organization does not have any material contract assets or liabilities as of June 30, 2025. Due from Affiliates relating to academic and business services provided amounted to \$813,787 and \$274,425 at June 30, 2025 and 2024, respectively. Accounts receivable relating to various other transactions amounted to \$0 and \$2,311 at June 30, 2025 and 2024, respectively.

NOTE C - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At June 30, 2025, the Organization's bank balances exceeded the FDIC insurance coverage by \$640,603. The Organization has not experienced any losses in such accounts.

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2025:

Computers and equipment	\$ 76,566
Leasehold improvements	4,163
	<hr/>
	80,729
Less accumulated depreciation	(37,843)
	<hr/>
Property and equipment, net	\$ <u>42,886</u>

Depreciation and amortization expense, included on the accompanying statement of activities, amounted to \$5,388 for the year ended June 30, 2025.

NOTE E - RELATED-PARTY TRANSACTIONS

Academic and Business Services Agreement

On June 10, 2015, the Organization entered into Academic and Business Services Agreements with Freire Charter School, TECH Freire Charter School, and Freire Charter School Wilmington. The agreements are coterminous with each School's charter terms and automatically renew for the period of any and all future charter renewal terms unless written notice of intent to terminate or renegotiate is given by either party not less than 180 days prior to the end of a charter term. Under the terms of the agreements, the Organization provides academic and business services to the Schools for a fee equal to 11.5% of federal, state, and local revenues that all Schools receive, directly or indirectly, for students enrolled in the Schools. Fees received from each school are greater than 10% of total revenues and create a concentration for the Organization. Fees received from the three schools accounted for 95.81% of total revenues under these agreements during the year ended June 30, 2025 as follows:

	Amount	% of Revenue
Freire Charter School	\$ 2,342,547	49.71%
TECH Freire Charter School	1,158,131	24.58%
Freire Charter School Wilmington, Inc.	1,014,212	21.52%
	<hr/>	
	\$ <u>4,514,890</u>	<u>95.81%</u>

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE F - OPERATING LEASES

The Organization has a lease with One Penn Associates, L.P. for office space in Philadelphia, PA. The lease was renewed in January 2022 and extends through December 31, 2027. As of June 30, 2025, assets recorded under operating leases were \$127,147. The current year lease expense of \$58,117 also includes the Organization's share of real estate taxes and building operating expenses pursuant to the lease agreement.

The following reconciles the undiscounted cash flows for the operating lease liability recorded on the balance sheet as of June 30, 2025:

Year Ending June 30,	
2026	\$ 56,061
2027	57,541
2028	<u>29,145</u>
 Total undiscounted cash flows	142,747
Less: present value discount	<u>(10,312)</u>
 Total lease liability	\$ <u>132,435</u>

Operating lease cost for the space in Philadelphia, PA was \$54,983 for the year ended June 30, 2025. This amount is reported in Lease expenses on the statement of functional expenses.

The following presents selected other information required to be disclosed including the weighted average remaining lease term and weighted average discount rate for the operating leases as of June 30, 2025:

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 54,983
Weighted-average remaining lease term in years for operating leases	2.5
Weighted-average discount rate for operating leases	5.38%

FREIRE SCHOOLS COLLABORATIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE G - LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash	\$ 889,968
Due from affiliates	<u>813,787</u>
	\$ <u>1,703,755</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.