Howard Gardner Multiple Intelligence Charter School

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Howard Gardner Multiple Intelligence Charter School

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June 30, 2025

Independent Auditors' Report

To the Board of Trustees of the
Howard Gardner Multiple Intelligence Charter School

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activity, the discretely presented component unit, and the General Fund of the Howard Gardner Multiple Intelligence Charter School (School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, the discretely presented component unit, and the General Fund of the School as of June 30, 2025, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

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 the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the School's internal control. Accordingly, no such opinion is expressed.

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

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

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 3 through 7 and the Required Supplementary Information on pages 27 and 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

B. K. Kelly CPA & Associates L.L.C.

Carbondale, Pennsylvania
November 3, 2025

This Management's Discussion and Analysis (MD&A) of the financial performance of the Howard Gardner Multiple Intelligence Charter School (School) provides an overall review of the School's financial activities for its fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the School's financial performance.

School Profile and Mission

The School is located in Scranton, Pennsylvania and operates a charter school under approved charters received from the Scranton and Abington Heights School Districts in accordance with Pennsylvania Act 22 of 1997. The mission of the School is to provide students from kindergarten through eighth grade with individualized educational experiences consistent with the theory of multiple intelligences.

2025 Financial Highlights

On a government-wide basis, revenues exceeded expenses by $262,741, increasing net position to $2,023,214 at June 30, 2025. On a fund basis, the General Fund reported a decrease of $70,023 in its fund balance to $1,478,792, or 19.9% of 2026 projected expenditures.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the School's basic financial statements, which include government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains required supplementary information related to pensions.

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 private sector business. These statements are prepared using the accrual basis of accounting. The focus of the statements is for the long-term.

The School must evaluate related entities to determine if they should be included in the School's financial statements. The School has determined the Howard Gardner Charter School Foundation (Foundation) meets the criteria for inclusion in the financial statements and, accordingly, the School has reported the Foundation as a discretely presented component unit in the government-wide financial statements.

The statement of net position presents information on all the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the School is improving or deteriorating. To assess the School's overall health, the reader will need to consider additional nonfinancial factors such as student performance and changes in the condition of school buildings and other facilities.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as 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 in future fiscal periods (e.g., earned but unused vacation leave and pension benefits).

The government-wide financial statements distinguish the functions of the School that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the School’s activity is reported as a governmental activity as the School has no business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental fund financial statements is short-term. Governmental fund financial statements are prepared using the modified accrual basis of accounting.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements. The School currently has only one government fund, the General Fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the balance sheet - General Fund and the statement of revenues, expenditures and change in fund balance - General Fund provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The General Fund statements can be found on pages 10 through 13 of this report.

The School adopts an annual budget for its General Fund using the Executive Budget approach. A budgetary comparison statement for the General Fund has been provided on page 14 of this report to demonstrate compliance with this budget.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 15 through 26 of this report.

Government-Wide Financial Analysis

The following table presents condensed information at June 30:

	Governmental Activity	
	2025	**2024**
Assets and Deferred Outflows of Resources		
Current assets	$ 1,956,655	$ 1,975,733
Capital assets	6,200,274	6,324,031
Total assets	8,156,929	8,299,764
Deferred outflows of resources, pension	339,032	245,722
Total assets and deferred outflows of resources	$ 8,495,961	$ 8,545,486
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities	$ 659,970	$ 603,668
Note payable, long term	3,860,879	4,042,259
Compensated absences	70,898	61,086
Net pension liability	1,632,000	1,602,000
Total liabilities	6,223,747	6,309,013
Deferred inflow of resources, pension	249,000	476,000
Total liabilities and deferred inflow of resources	6,472,747	6,785,013
Net Position		
Net investment in capital assets	2,157,288	2,105,022
Unrestricted	(134,074)	(344,549)
Total net position	2,023,214	1,760,473
Total liabilities, deferred inflows of resources and net position	$ 8,495,961	$ 8,545,486

The School's total assets and pension deferred outflows decreased by $49,525 from 2024 to 2025 due primarily to a decrease in capital assets resulting from an excess of depreciation over capital additions of $123,757 offset by an increase in deferred outflows of $93,310. Total liabilities and pension deferred inflows decreased by $312,266 due primarily to principal payments of $176,023 on the note payable and a decrease in pension deferred inflows of $227,000. The total net position increased by $262,741 to $2,023,214 at June 30, 2025.

A portion of the School's net position includes its investment in capital assets net of accumulated depreciation less any outstanding debt used to acquire those assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2025, the School's net investment in capital assets was $2,157,288, an increase of $52,266 from 2024 as repayments on the note payable exceeded current year capital assets additions less depreciation expense.

The following table presents condensed information for the years ended June 30, 2025 and 2024:

	Governmental Activity	
	2025	**2024**
Revenues		
Charges for services	$ 40,545	$ 57,219
Operating grants and contributions	6,877,816	6,267,936
General revenues	119,147	98,554
Total revenues	7,037,508	6,423,709
Expenses		
Instruction	3,206,644	2,480,678
Support services	2,785,040	2,489,095
Food service, student activities, and community services	423,477	329,847
Interest	124,403	131,204
Depreciation	235,203	236,101
Total expenses	6,774,767	5,666,925
Change in Net Position	262,741	756,784
Net Position, Beginning	1,760,473	1,003,689
Net Position, Ending	$ 2,023,214	$ 1,760,473

Operating grants and contributions in the governmental activity increased $609,880 or 9.7% compared to 2024, primarily from an increase in tuition revenue of $879,682 due to increased student enrollment offset by lower federal revenue. Annually, tuition rates are calculated by each school district and reported to the Pennsylvania Department of Education on form PDE-363, *Funding for Charter Schools* and are based on selected expenditures per average daily membership of each district. Federal revenues decreased $359,345, primarily due to the expiration of ARP ESSER funding.

Expenses increased $1,107,842 or 19.5% compared to 2024. This change is primarily due to increased salaries and benefits of $946,672 resulting from additional staff required to support the increased student enrollment.

Fund Financial Analysis

The governmental fund financial statements provide detailed information on the School's only fund, the General Fund, through which it conducts all of its operations. At June 30, 2025, the General Fund had a fund balance of $1,478,792, which is a decrease of $70,023 from June 30, 2024.

Activity in the General Fund and the governmental activity noted above are essentially the same except for the effects of certain amounts such as depreciation, capital outlay, principal paid on debt and long-term liabilities (pension and compensated absences). Accordingly, the changes discussed in the analysis of the government-wide financial statements account for the significant changes in the General Fund revenues and expenditures.

General Fund Budget Information

The School budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the Board of Trustees for approval prior to the beginning of the fiscal year. The General Fund's final approved budget for 2025 included $7,167,897 of revenues and $6,965,980 of expenditures. Actual revenues were $130,389 under budget and actual expenditures were $141,551 over budget.

Local source revenues were $295,135 under budget primarily due to a tuition revenue shortfall of $247,423. In January 2025, the tuition rate for the Scranton School District was reduced when they filed PDE-363. States sources were $104,320 over budget primarily due to receipt of state grants (PCCD). Federal revenues were $60,426 over budget primarily due to food service subsidies which were budgeted under local revenues.

Total expenditures were $141,551 over budget. Capital outlay and the purchase of new curriculum books accounted for the majority of the total variance. Other changes resulted from changes in the areas in which the School reported certain expenditures as compared to where it was budgeted.

Capital Assets

At June 30, 2025, the School had land, buildings and improvements, and furniture and equipment with a cost of $7,381,654 and accumulated depreciation of $1,181,380. Capital outlay totaled $111,446 in 2025. Depreciation expense was $235,203.

Debt

At June 30, 2025, the School's long-term debt was $4,042,986. There were no new borrowings in 2025. The School paid $300,426 of debt service in 2025, including principal of $176,023 and interest of $124,403. Monthly principal and interest payments of $25,035 are required through October 2032. Thereafter, the monthly payment will be adjusted to an amount that will fully amortize the note through its maturity in October 2042. Interest is fixed at 2.99% through April 2031.

Economic Condition and Outlook

The School adopted its 2026 budget with $7,181,242 of revenues and $7,429,454 of expenditures. Revenues are flat compared to 2025, as tuition from increased student enrollment is offset by lower federal and state grants. Salary and benefits are the main factor in the expenditure increase over 2025.

The School's major funding source is based on the per pupil cost of the student's home district as per Pennsylvania law. Pennsylvania school districts are now required to submit a new PDE-363 form indicating their cost per general education and special education students by November 1st of each calendar year. However, there are no repercussions for not doing so at the present time. Changes in how that funding is determined may have a negative effect on the School's financial results. Any such changes would have to be enacted via legislation.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Howard Gardner Multiple Intelligence Charter School, 1615 East Elm Street, Scranton, Pennsylvania, 18505.

Howard Gardner Multiple Intelligence Charter School

Statement of Net Position
June 30, 2025

	Governmental Activity	Component Unit
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 1,244,739	$ 56,775
Due from other governments	711,916	-
Total current assets	1,956,655	56,775
Capital Assets	6,200,274	-
Total assets	8,156,929	56,775
Deferred Outflows of Resources, Pension	339,032	-
Total assets and deferred outflows of resources	$ 8,495,961	$ 56,775
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	$ 18,845	$ -
Current portion of note payable	182,107	-
Accrued salaries and benefits	459,018	-
Total current liabilities	659,970	-
Noncurrent liabilities:		
Note payable	3,860,879	-
Compensated absences	70,898	-
Net pension liability	1,632,000	-
Total liabilities	6,223,747	-
Deferred Inflows of Resources, Pension	249,000	-
Net Position		
Net investment in capital assets	2,157,288	-
Unrestricted	(134,074)	56,775
Total net position	2,023,214	56,775
Total liabilities, deferred inflows of resources and net position	$ 8,495,961	$ 56,775

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Activities
Year Ended June 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position (Deficit) Total	Component Unit
Governmental Activity					
Instruction	$ (3,206,644)	$ -	$ 3,335,313	$ 128,669	
Instructional student support	(1,252,971)	-	1,417,916	164,945	
Administrative and financial support services	(979,133)	-	934,410	(44,723)	
Operation and maintenance of plant services	(552,936)	-	527,680	(25,256)	
Food service	(329,078)	40,545	453,689	165,156	
Student activities	(77,930)	-	74,370	(3,560)	
Community services	(16,469)	-	15,717	(752)	
Depreciation	(235,203)	-	-	(235,203)	
Interest on long-term debt	(124,403)	-	118,721	(5,682)	
Total governmental activity	$ (6,774,767)	$ 40,545	$ 6,877,816	143,594	
Component Unit					
Howard Gardner Charter School Foundation	$ (17,291)	$ -	$ 10,000		$ (7,291)
General Revenues					
Grants, subsidies and contributions not restricted				113,647	-
Investment earnings				5,500	41
Total general revenues				119,147	41
Change in Net Position				262,741	(7,250)
Net Position, Beginning				1,760,473	64,025
Net Position, Ending				$ 2,023,214	$ 56,775

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Balance Sheet - General Fund
June 30, 2025

Assets	
Cash	$ 1,244,739
Due from other governments	711,916
Total	$ 1,956,655
Liabilities	
Accounts payable	$ 18,845
Accrued salaries and benefits	459,018
Total liabilities	477,863
Fund Balance	
Committed	46,515
Assigned	1,003,148
Unassigned	429,129
Total fund balance	1,478,792
Total	$ 1,956,655

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Reconciliation of the Balance Sheet - General Fund to the Statement of Net Position
June 30, 2025

Fund Balance - General Fund	$	1,478,792
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activity are not financial resources and are not reported in the General Fund		6,200,274
Deferred inflows and outflows of resources are not reported in the General Fund:		
Deferred outflows of resources, pension		339,032
Deferred inflows of resources, pension		(249,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the General Fund:		
Note payable		(4,042,986)
Compensated absences		(70,898)
Net pension liability		(1,632,000)
Net Position - Governmental Activity	$	2,023,214

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Revenues, Expenditures and Change in Fund Balance - General Fund
Year Ended June 30, 2025

Revenues	
Local sources	$ 6,469,147
State sources	197,320
Federal sources	371,041
Total revenues	7,037,508
Expenditures	
Instruction	3,392,625
Support services	2,879,557
Noninstructional services	423,477
Capital outlay	111,446
Debt service	300,426
Total expenditures	7,107,531
Excess of Expendiures Over Revenues and Other Financing Sources	(70,023)
Fund Balance, Beginning	1,548,815
Fund Balance, Ending	$ 1,478,792

See notes to financial statements

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance - General Fund to the Statement of Activities
Year Ended June 30, 2025

Net Change in Fund Balance - General Fund	$	(70,023)
Amounts reported for the governmental activity in the statement of activities are different because:		
Capital outlays are reported in the General Fund as expenditures		111,446
Depreciation expense on capital assets is reported in the statement of activities but not in the the General Fund		(235,203)
Principal payments on the note payable is reported in the General Fund but not in the statement of activities		176,023
Long-term liabilities do not use current financial resources and are reported in the statement of activities but not in the General Fund These amounts represent the net change during the year:		
Compensated absences		(9,812)
Pension		290,310
Change in Net Position - Governmental Activity	$	262,741

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Revenues, Expenditures and Change in Fund Balance -
Budget to Actual - General Fund
Year Ended June 30, 2025

	Original and Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues			
Local sources	$ 6,764,282	$ 6,469,147	$ (295,135)
State sources	93,000	197,320	104,320
Federal sources	310,615	371,041	60,426
Total revenues	7,167,897	7,037,508	(130,389)
Expenditures			
Instruction:			
Regular programs	2,697,765	2,977,806	(280,041)
Special programs	442,408	414,819	27,589
Support services:			
Students	1,268,250	1,101,738	166,512
Instructional staff	106,017	111,530	(5,513)
Administration	634,941	600,839	34,102
Pupil health	112,512	102,887	9,625
Business	396,792	302,570	94,222
Operation and maintenance	538,593	552,936	(14,343)
Central	-	107,057	(107,057)
Noninstructional services:			
Food service	302,293	329,078	(26,785)
Student activities	73,409	77,930	(4,521)
Community services	15,000	16,469	(1,469)
Capital outlay	-	111,446	(111,446)
Debt service	378,000	300,426	77,574
Total expenditures	6,965,980	7,107,531	(141,551)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	201,917	(70,023)	(271,940)
Fund Balance, Beginning	1,093,712	1,548,815	455,103
Fund Balance, Ending	$ 1,295,629	$ 1,478,792	$ 183,163

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

The financial statements of the Howard Gardner Multiple Intelligence Charter School (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Commonwealth of Pennsylvania require the School to follow accounting principles applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Nature of Operations

The School is located in Scranton, Pennsylvania and operates a charter school under an approved charter from the Scranton and the Abington Heights School Districts in accordance with Pennsylvania Act 22 of 1997. The charter is renewed every five years with the current charter set to expire in June 2027.

The mission of the School is to provide students from kindergarten through eighth grade with individualized educational experiences consistent with Montessori principals.

The School is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reporting Entity

In evaluating whether other organizations should be included in the School's financial reporting entity as component units, the School considers the following criteria: financial accountability, fiscal dependency and legal separation.

Based on these criteria, the School has determined the Howard Gardner Charter School Foundation (Foundation) should be included in the School's financial statements as a discretely presented component unit. The Foundation is a legally separate nonprofit entity formed to provide support for the School; however, the School appoints members to the Foundation's board of trustees and can remove them at will. As such, the School is able to significantly influence the activities of the Foundation.

The financial activity of the Foundation is presented as of and for the year ended June 30, 2025. In 2025, the Foundation provided $17,291 of direct assistance to the School.

Separate financial statements are not issued by the Foundation

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the School on a full accrual, economic resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, supported by intergovernmental and general revenues from business-type activities, generally financed in whole or in part with fees charged to users. The School’s General Fund is classified as a governmental activity. The School has no business-type activities.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities. Program revenues include (1) charges for services to users of the School's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation - Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/ expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The School only uses the following fund type.

Governmental Fund Type

Governmental funds are those through which governmental functions of the School are financed. The acquisition, use and balances of the School's expendable financial resources and the related liabilities are accounted for through governmental funds. The School currently uses only one governmental fund, the General Fund, to account for all operations of the School. The General Fund is considered a major fund.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School are included on the statement of net position (deficit). The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the School's total net position.

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred inflows and outflows of resources and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Government-wide financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions, in which the School receives value without directly giving equal value in return, requires revenue to be recognized when donor or grantor restrictions are met.

Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures, other than principal and interest on notes payable, compensated absences, pensions, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on notes payable, compensated absences, pensions, and claims and judgments are recorded as fund liabilities when due and unpaid.

The School reports unearned revenue in both the government-wide and fund financial statements. Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues may also arise when the School receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

The School does not allocate any indirect expenses including depreciation.

Budgets

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are recorded at their fair value as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	15-40 years
Furniture and equipment	5-7 years

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain changes in its net pension liability in the government-wide statement of net position in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School reports certain changes in its net pension liability in the government-wide statement of net position in this category.

Compensated Absences

Professional administrators earn up to four weeks of vacation a year depending on years of service. All vacation earned must be taken annually and no carry-over is permitted; therefore, no liability is recorded in the financial statements. All full-time employees receive ten sick days each year. Unused sick days are allowed to accumulate up to 100 days. A liability for compensated absences is recognized in the government-wide statement of net position for accumulated sick days expected to be paid in future years.

Pensions

The School provides certain eligible employees with retirement benefits through the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

For purposes of measuring the PSERS 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 PSERS, and additions to/deductions from PSERS fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The School also sponsors a 403(b) plan. Employees hired on or after July 1, 2015 must contribute a minimum of 7.5% of their compensation and the School must contribute 7.5% of the participant's compensation to the Plan. These employees do not participate in the PSERS plan. Other employees may participate in the 403(b) plan and are allowed to contribute an amount each year equal to the maximum annual amount allowed by the Internal Revenue Service. These employees do not receive a matching contribution from the School. The 2025 403(b) expense was $254,018.

Governmental Fund Balance Classifications

Fund balances are classified based on the level of constraints placed on the usage of fund resources.

- *Nonspendable* fund balances are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There was no nonspendable fund balance at June 30, 2025.

- *Restricted* fund balances are amounts that are restricted to specific purposes by constraints placed on their use that are externally imposed by creditors, grantors, contributions, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There was no restricted fund balance at June 30, 2025.

- *Committed* fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the School's Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use by taking the same action it employed to previously commit the amounts. At June 30, 2025, $46,515 was committed for capital outlay.

- *Assigned* fund balances are amounts constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. The School's Board of Trustees has designated the Business Manager to assign fund balance amounts as deemed financially necessary and appropriate. At June 30, 2025, $1,003,148 was assigned for future capital outlay.

- *Unassigned* fund balance is a residual classification and represents amounts that have not been assigned to other funds, and have not been restricted, committed or assigned to a specific purpose within the General Fund.

Use of Restricted Net Position/Fund Balances

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the School's policy is to use restricted amounts first, and then unrestricted amounts as needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

2. Concentration of Credit Risk

The School maintains its deposit accounts with one local financial institution.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The School does not have a formal policy for custodial credit risk. At June 30, 2025, the bank balance of the School's deposits with its financial institution was $1,294,772 compared to the carrying amount of $1,244,739. The difference is caused by outstanding checks. $1,044,772 of the School's deposits were exposed to custodial credit risk at June 30, 2025 as they are not covered by depository insurance.

The Foundation’s bank and carrying balances were $56,775 and are 100% covered by depository insurance.

3. Due From Other Governments

Due from other governments consists of the following:

Local source revenues - local school districts and intermediate unit	$ 595,116
State source revenues – Pennsylvania Commission on Crime and Delinquency and Pennsylvania Department of Education (PDE)	82,145
Federal source revenue - PDE	34,655
Total	$ 711,916

4. Capital Assets

The changes in the School's government activity capital assets in 2025 are summarized as follows:

	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 315,700	$ -	$ -	$ 315,700
Construction in progress	62,796	103,226	(96,303)	69,719
Total	378,496	103,226	(96,303)	385,419
Capital assets being depreciated:				
Building and improvements	6,299,440	8,220	96,303	6,403,963
Furniture and equipment	592,272	-	-	592,272
Total	6,891,712	8,220	96,303	6,996,235
Less accumulated depreciation:				
Building and improvements	(767,088)	(190,688)	-	(957,776)
Furniture and equipment	(179,089)	(44,515)	-	(223,604)
Total	(946,177)	(235,203)	-	(1,181,380)
Capital assets, net	$ 6,324,031	$ (123,757)	$ -	$ 6,200,274

5. Lines of Credit/Subsequent Event

The School has a $150,000 line of credit with a bank for working capital purposes. Interest is payable monthly at a rate of prime plus 1% with a floor of 4.25% (8.50% at June 30, 2025). The line is secured by the School's accounts receivable. The line matures February 2026. There were no borrowings at June 30, 2025.

In September 2025, the School added a $1,000,000 line of credit with a bank to provide an additional source of working capital due to effect of the Pennsylvania budget impasse. The line is only available through December 31, 2025. Interest is payable monthly at the prime rate. The line is secured is secured by accounts receivable.

6. Note Payable

The School has a mortgage note payable with a bank. Monthly principal and interest payments of $25,035 are required through October 2032. Thereafter, the monthly payment will be adjusted to an amount that will fully amortize the note through its maturity in October 2042. Interest is fixed at 2.99% through April 2031. Thereafter, the interest rate shall either be 72.5% of the then-current national prime rate or a fixed rate to be negotiated, with a floor of 2.99%, through maturity. The note is secured by substantially all of the School's assets. The note also requires the School to maintain certain financial covenants. The note is considered a direct borrowing.

The change in the note payable in 2025 is as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Current Portion
2021 Note	$ 4,219,009	$ -	$ (176,023)	$ 4,042,986	$ 182,107

Total interest paid in 2025 was $124,403. No interest is reported as a direct expense in the statement of activities.

The scheduled future debt service on the note payable is as follows:

	Principal	Interest	Total
Years ending June 30:			
2026	$ 182,107	$ 118,319	$ 300,426
2027	187,628	112,798	300,426
2028	193,315	107,111	300,426
2029	199,175	101,251	300,426
2030	205,213	95,213	300,426
2031-2035	1,123,232	378,898	1,502,130
2036-2040	1,304,115	198,015	1,502,130
2041-2043	648,201	22,476	670,677
Total	$ 4,042,986	$ 1,134,081	$ 5,177,067

7. Compensated Absences

The changes in compensated absences are summarized as follows:

Balance, July 1, 2024	$ 61,086
Net increase	9,812
Balance, June 30, 2025	$ 70,898

In 2025, the School adopted GASB Statement No. 101, *Compensated Absences.* The adoption did not have a material effect on the School's financial statements.

8. PSERS Retirement Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final salary (as defined in the Code) multiplied by the number of years of credited service but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a shared risk provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 5.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 8.30% and 12.30%.

Members who joined PSERS after June 30, 2019 and elect Membership Class T-G or T-H contribute at a rate of 5.50% or 4.50% (base rates), respectively, and have a shared risk provision that could cause the Membership Class T-G contribution rate to fluctuate between 2.50% and 8.50% and Membership Class T-H to fluctuate between 1.50% and 7.50%. In addition, these members contribute 2.75% (Class T-G) and 3.00% (Class T-H) to a defined contribution plan.

School Contributions

The School's required contribution rate for the year ended June 30, 2025 was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liabilities. Contributions to PSERS from the School were $208,816 in 2025.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the School reported a liability of $1,632,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2023 to June 30, 2024. The School's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2025, the School's proportion was .0039%, which was an increase from its proportion measured as of June 30, 2024 of 0.0036%.

For the year ended June 30, 2025, the School recognized PSERS pension expense of $(75,278) in the statement of activities. At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 26,000
Net difference between projected and actual investment earnings	27,000	-
Changes in proportion	97,000	223,000
School contributions subsequent to the measurement date	215,032	-
Total	$ 339,032	$ 249,000

The $215,032 reported as deferred outflows of resources 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2026	$ (146,000)
2027	(13,000)
2028	40,000
2029	(6,000)
Total	$ (125,000)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.50%
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale
- The discount rate used to measure the total pension liability was 7.00% at both June 30, 2023 and 2024
- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
    - Salary growth rate - decreased from 5.00% to 4.50%
    - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
    - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

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

The above table was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School's proportionate share of the net pension liability	$ 2,150,000	$ 1,632,000	$ 1,195,000

Pension Plan Fiduciary Net Position

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

9. Contingencies

From time to time, the School may be involved in various claims and litigation. In the opinion of management, the outcome of any claims and litigation will not have a material effect on the School's financial statements.

The School participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The School is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

Howard Gardner Multiple Intelligence Charter School

Schedule of the School's Proportionate Share of the PSERS Net Pension Liability
Years Ended June 30
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
School's proportion of the PSERS net pension liability	0.0039%	0.0036%	0.0044%	0.0048%	0.0056%	0.0060%	0.0065%	0.0064%	0.0075%	0.0073%
School's proportionate share of the PSERS net pension liability	$ 1,632,000	$ 1,602,000	$ 1,956,000	$ 1,971,000	$ 2,757,000	$ 2,807,000	$ 3,120,000	$ 3,161,000	$ 3,717,000	$ 3,162,000
School's covered-employee payroll	$ 634,313	$ 620,955	$ 604,681	$ 666,140	$ 691,931	$ 793,121	$ 839,313	$ 894,559	$ 848,041	$ 977,816
School's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	257.29%	257.99%	323.48%	295.88%	398.45%	353.92%	371.73%	353.36%	438.30%	323.37%
PSERS plan fiduciary net position as a percentage of the PSERS total pension liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

Howard Gardner Multiple Intelligence Charter School

Schedule of the School's PSERS Pension Contributions
Years Ended June 30
(Unaudited)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 208,816	$ 205,474	$ 207,466	$ 226,421	$ 231,866	$ 264,585	$ 273,616	$ 283,933	$ 247,628	$ 244,454
Contributions in relation to the contractually required contribution	208,816	205,474	207,466	226,421	231,866	264,585	273,616	283,933	247,628	244,454
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 634,313	$ 620,955	$ 604,681	$ 666,140	$ 691,931	$ 793,121	$ 839,313	$ 894,559	$ 848,041	$ 977,816
Contributions as a percentage of covered-employee payroll	32.92%	33.09%	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%