

**BOYS LATIN OF PHILADELPHIA
CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys Latin of Philadelphia Charter School
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School (the School), a nonprofit organization, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility 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; 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 an opinion 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 of 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School as of June 30, 2018, 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.

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Boys Latin of Philadelphia Charter School adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2017, Boys Latin of Philadelphia Charter School's net position was restated to reflect the impact of adoption. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the schedule of revenues, expenditures, and changes in fund balance – budget and actual on page 40, the schedules of proportionate share of PSERS net pension liability and contributions on page 41, and the schedules of proportionate share of PSERS net OPEB liability and contributions on pages 42 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Boys Latin of Philadelphia Charter School

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
January 7, 2019

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

The board of directors of Boys' Latin of Philadelphia Charter School(Boys Latin), Choice Holdings, LLC (Choice Holdings) and Boys Latin Foundation (Foundation) (collectively, the School) offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2018. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- Total governmental revenues increased by \$2,069,545 from \$11,115,135 to \$13,184,680, primarily due to increases in local education agencies, federal sources, and other local sources for the year ended June 30, 2018.
- At the close of the current fiscal year, the School reports ending net position of (\$8,175,612). This net position balance represents a decrease in net position of \$825,588 which includes the impact of restatement for the OPEB liability of (\$525,500), for the year ended June 30, 2018.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of \$1,391,220. The governmental fund balance increased by \$575,594 from the previous year-end governmental fund balance as the result of operations for the year ended June 30, 2018.
- The School's cash balance of governmental activities at June 30, 2018 was \$2,372,243 representing an increase of \$890,853 from June 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's financial statements as presented comprise four components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the required supplementary information, and (4) the single audit section.

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

The statement of activities presents information showing how the School's net position changed during the most recent 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 periods (e.g., expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School. The School's function is to provide an alternative educational opportunity.

Fund Financial Statements

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

Notes to the Financial Statements

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

Supplementary Information

The general fund budgetary comparison schedule, schedule of the School's proportionate share of the net pension liability and schedule of School contributions, and schedule of the School's proportionate share of the net OPEB liability and schedule of School contributions are required supplementary information presented for purposes of additional analysis and are prepared using a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for state reporting requirements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Overview of the Financial Statements (Continued)

Government-Wide Financial Analysis

	June 30,	
	2018	2017 *
Current Assets	\$ 2,795,016	\$ 2,097,110
Capital Assets	9,977,995	10,201,528
Total Assets	12,773,011	12,298,638
 Deferred Outflows of Resources	 2,039,000	 2,891,262
Current Liabilities	3,943,868	1,255,890
Noncurrent liabilities	17,736,184	20,526,034
Total Liabilities	21,680,052	21,781,924
 Deferred Inflows of Resources	 1,307,571	 758,000
Net Position:		
Net Investment in Capital Assets	1,940,739	1,998,126
Restricted	234,818	39,697
Unrestricted	(10,351,169)	(9,387,847)
 TOTAL NET POSITION	 \$ (8,175,612)	 \$ (7,350,024)

* Does not include the effect of GASB 75.

As noted previously, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,175,612 as of June 30, 2018.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Overview of the Financial Statements (Continued)

Government-Wide Financial Analysis (Continued)

The School's revenues are predominately received from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2018, the School's expenses of \$13,484,768 exceeded its revenues of \$13,184,680 by \$300,088.

	June 30,	
	<u>2018</u>	<u>2017 *</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 1,432,403	\$ 2,868,734
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	8,839,293	6,475,832
Miscellaneous	<u>2,912,984</u>	<u>1,770,569</u>
Total General Revenues	<u>11,752,277</u>	<u>8,246,401</u>
 Total Revenues	 <u>13,184,680</u>	 <u>11,115,135</u>
 Expenses:		
Instructional Programs	5,111,555	5,025,222
Special Education	1,525,996	606,741
Pupil Support Services	522,306	237,297
Instructional Staff Services	339,909	3,124
Administrative Services	3,282,592	2,667,142
Pupil Health	72,298	71,595
Business Services	236,182	299,488
Operation and Maintenance of Plant Services	605,213	467,280
Student Activities	383,315	348,307
Other Support Services	318,000	486,025
Food Services	326,188	371,141
Interest Expense	277,643	293,755
Financing Costs	41,803	-
Depreciation Expense	<u>441,768</u>	<u>727,887</u>
 Total Expenses	 <u>13,484,768</u>	 <u>11,605,004</u>
 Change in Net Position	 (300,088)	 (489,869)
 Net Position - Beginning	 (7,350,024)	 (6,860,155)
Restatement for July 1, 2017, OPEB Liabilities	<u>(525,500)</u>	<u>-</u>
Net Position - Beginning of Year, as Restated	<u>(7,875,524)</u>	<u>(6,860,155)</u>
 NET POSITION - ENDING	 <u>\$ (8,175,612)</u>	 <u>\$ (7,350,024)</u>

* Does not include the effect of GASB 75.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

Overview of the Financial Statements (Continued)

Governmental Funds

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

The general fund is the chief operating fund of the School. At the end of the current year, the unassigned fund balance of the general fund was \$1,146,988 and the total fund balance of the governmental funds was \$1,391,220.

General Fund Budgetary Highlights

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for programs, supplies, and equipment. There were no formal budget amendments made that were required to be submitted to the Commonwealth of Pennsylvania.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School's investment in capital assets for its governmental activities totaled \$9,977,995 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements and equipment for the School.

Long-Term Debt

As of June 30, 2018, the School has notes payable of \$8,037,256.

Economic Factors and Next Year's Budgets and Rates

The School does not foresee any substantial variations with next year's economic factors, budgets, or rates.

Future Events that Will Financially Impact the School

The School does not foresee any future events at this time that will financially impact the School.

Component Units

Choice Holdings and Boys Latin Foundation (formally Choice Academics) are component units of the School and are reported as part of capital projects fund in the governmental fund financial statements.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to Chief Executive Officer, Boys Latin of Philadelphia Charter School, 5501 Cedar Avenue, Philadelphia, PA 19143, or call (215) 387-5149.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 2,372,243
State Subsidies Receivable	143,590
Federal Subsidies Receivable	163,529
Promises to Give	106,240
Prepaid Expenses	9,414
Capital Assets, Net	9,977,995
Total Assets	12,773,011
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows from Pensions	2,018,000
Deferred Outflows from OPEB	21,000
Total Deferred Outflows	2,039,000
LIABILITIES	
Accounts Payable and Accrued Expenses	442,020
Salaries and Benefits Payable	941,959
Unearned Revenue	8,275
Due to Other Governments	11,542
Long-Term Obligations:	
Due Within One Year:	
Notes Payable	2,540,072
Due in More Than One Year:	
Notes Payable	5,497,184
Pension Liability	11,754,000
OPEB Liability	485,000
Total Liabilities	21,680,052
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows from Pensions	1,251,000
Deferred Inflows from OPEB	56,571
Total Deferred Outflows	1,307,571
NET POSITION	
Net Investment in Capital Assets	1,940,739
Restricted for:	
Warrior Fund	39,697
Capital Projects	195,121
Unrestricted	(10,351,169)
Total Net Position	\$ (8,175,612)

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net Revenue (Expense) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:				
Governmental Activities:				
Instructional Programs	\$ 5,111,555	\$ -	\$ 886,738	\$ (4,224,817)
Special Education	1,525,996	-	-	(1,525,996)
Pupil Support Services	522,306	-	-	(522,306)
Instructional Staff Programs	339,909	-	-	(339,909)
Administrative Services	3,282,592	-	-	(3,282,592)
Pupil Health	72,298	-	29,618	(42,680)
Business Services	236,182	-	-	(236,182)
Operation and Maintenance of Plant	605,213	-	141,604	(463,609)
Student Activities	383,315	-	-	(383,315)
Other Support Services	318,000	-	-	(318,000)
Food Services	326,188	20,259	354,184	48,255
Interest Expense	277,643	-	-	(277,643)
Financing Costs	41,803	-	-	(41,803)
Depreciation Expense	441,768	-	-	(441,768)
Total	\$ 13,484,768	\$ 20,259	\$ 1,412,144	(12,052,365)
General Revenues:				
Local Educational Agencies				8,839,293
All Other Revenue				2,912,984
Total General Revenues				11,752,277
Change in Net Position				(300,088)
Net Position - Beginning				(7,350,024)
Restatement for July 1, 2017, OPEB Liabilities				(525,500)
Net Position - Beginning of Year, as Restated				(7,875,524)
Net Position - Ending				\$ (8,175,612)

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 2,141,008	\$ 231,235	\$ 2,372,243
State Subsidies Receivable	143,590	-	143,590
Federal Subsidies Receivable	163,529	-	163,529
Promises to Give	106,240	-	106,240
Prepaid Expenses	9,414	-	9,414
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,563,781</u>	<u>\$ 231,235</u>	<u>\$ 2,795,016</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 442,020	\$ -	\$ 442,020
Salaries and Benefits Payable	914,120	27,839	941,959
Unearned Revenue	-	8,275	8,275
Due to Other Governments	11,542	-	11,542
Total Liabilities	<u>1,367,682</u>	<u>36,114</u>	<u>1,403,796</u>
 FUND BALANCES			
Nonspendable	9,414	-	9,414
Restricted	39,697	195,121	234,818
Unassigned	1,146,988	-	1,146,988
Total Fund Balances	<u>1,196,099</u>	<u>195,121</u>	<u>1,391,220</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,563,781</u>	<u>\$ 231,235</u>	<u>\$ 2,795,016</u>

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances for Governmental Funds		\$	1,391,220
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Long-term liabilities that pertain to governmental funds, including notes payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:</p>			
Notes Payable			(8,037,256)
<p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>			
Capital Assets, Net			9,977,995
<p>Long-term liabilities that pertain to governmental funds, including net pension liability, net OPEB liability, deferred outflows, and deferred inflows are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>			
Pension	\$	(10,987,000)	
OPEB		(520,571)	(11,507,571)
		(11,507,571)	(11,507,571)
Total Net Position of Governmental Activities			\$ (8,175,612)

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Educational Agencies	\$ 8,839,293	\$ -	\$ 8,839,293
Other Local Sources	1,356,327	1,576,916	2,933,243
State Sources	227,401	-	227,401
Federal Sources	1,184,742	-	1,184,742
Total Revenues	<u>11,607,763</u>	<u>1,576,916</u>	<u>13,184,679</u>
EXPENDITURES			
Instruction	5,807,212	-	5,807,212
Support Services	4,024,040	1,413,944	5,437,984
Noninstructional Services	683,649	-	683,649
Capital Outlays	218,235	-	218,235
Debt Service			
Principal	189,392	41,870	231,262
Interest	220,209	57,434	277,643
Total Expenditures	<u>11,142,737</u>	<u>1,513,248</u>	<u>12,655,985</u>
Excess of Revenues Over Expenditures	465,026	63,668	528,694
OTHER FINANCING SOURCES (USES)			
Proceeds from Loans	46,900	-	46,900
Transfers In	-	99,304	99,304
Transfers Out	(99,304)	-	(99,304)
Total Other Finance Sources (Uses)	<u>(52,404)</u>	<u>99,304</u>	<u>46,900</u>
NET CHANGE IN FUND BALANCE	412,622	162,972	575,594
Fund Balance - Beginning of Year	<u>783,477</u>	<u>32,149</u>	<u>815,626</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,196,099</u>	<u>\$ 195,121</u>	<u>\$ 1,391,220</u>

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 575,594

Amounts reported for governmental activities in the statement of activities are different because:

The governmental funds report note proceeds as financing sources, while repayment of note principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. The net effect of these differences in the treatment of notes payable is as follows:

Repayment of Notes Payable Principal	\$ 231,262	
Proceeds from Loan Payables	(46,900)	
Financing Cost Expenses	<u>(41,803)</u>	142,559

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense, as follows:

Capital Outlays	218,235	
Depreciation Expense	<u>(441,768)</u>	(223,533)

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 governmental funds:

Change in Pension Expense	(799,637)	
Change in OPEB Expense	<u>4,929</u>	<u>(794,708)</u>

Change in Net Position of Governmental Activities \$ (300,088)

See accompanying Notes to Financial Statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 NATURE OF ORGANIZATION

Background

Boys' Latin of Philadelphia Charter School (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997 (the Act') and is operating under a charter school contract through June 30, 2017, which may be renewed for an additional term. The School is located in Philadelphia, Pennsylvania. During the 2017-2018 school year, the School served children in grades 6 through 12.

The School has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The reporting entity of the School is based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, and No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School and its blended component units. The School is not a component unit of another reporting entity. The decision to include a potential component unit in the School's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. As described below, the School has identified two component units.

Component Units

Choice Holdings LLC (Choice Holdings) is a legally separate, nonprofit component unit of the School. Choice Holdings is a single member LLC where the School is the only member. Choice Holdings is the co-borrower on the 2007 loan used to renovate the Cedar Avenue property. Because the School controls the resources of Choice Holdings and utilizes these resources for its benefit, Choice Holdings is considered a blended component unit of the School and is combined with the governmental activities and general fund of the School. Choice Holdings did not have any assets, liabilities, fund balance, revenue or expenses for the year ended June 30, 2018.

Boys Latin Foundation (Foundation) (formally Choice Academics) is a legally separate, nonprofit component unit of the School. The Foundation's purpose is to acquire, construct, and lease property to and from the School in connection with its operation of a charter school. Because the School controls the resources and utilizes these resources for its benefit, the Foundation is considered a blended component unit of the School and is combined with the governmental activities of the School and shown as a capital projects fund.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. The government-wide statements provide information about the primary government (the School) and its component units, without displaying funds. These statements also distinguish between the School and its blended component units. Eliminations are made to minimize the double counting of internal activities. All of the School's activities are governmental.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Program revenues include charges paid by the recipients of goods or services offered by programs and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

B. Fund Financial Statements

The fund financial statements provide information about the School's funds, including fiduciary funds and blended component units, if any. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of governmental and enterprise fund reporting (enterprise funds are a type of proprietary fund) is on major funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. All other funds are aggregated and reported by fund type. The School has no proprietary or fiduciary funds at June 30, 2018.

The School reports the following major governmental funds:

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

Capital Projects Fund – The capital projects fund is used to account for the financial resources to be used for the acquisition and construction of capital facilities.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenue available if it is collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. Claims, judgments, and compensated absences are recognized as expenditures only to the extent they are normally expected to be paid from existing unrestricted fund net position. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing.

Under the terms of grant agreements, the School supports certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Net Position

GASB Statement No. 63, *Financial Reporting Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, classifies net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

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

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted

This component of net position consists of constraints placed on the use of net assets through external constraints imposed by creditors such as through debt covenants, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Classification Policies and Procedures

The School follows the provisions of GASB Statement No. 54, *Fund Balance Reporting, and Governmental Fund Type Definitions*, which requires the classification of the School's fund balance into five components: nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as follows:

Nonspendable

This category is for amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to remain intact.

Restricted

This category is the part of the fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or by enabling legislation.

Committed

This category is the portion of the fund balance that can only be used for specific purposes as a result of formal action by the School's board of directors.

Assigned

This category reflects funds that the School intends to use for a specific purpose, but are not considered restricted or committed.

Unassigned

This category represents the part of the spendable fund balance that has not been categorized as nonspendable, restricted, committed, or assigned. The general fund is the only governmental fund that may have a positive unassigned balance.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification Policies and Procedures (Continued)

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 for the included program.

In the fund financial statements and assignments segregate portions of fund balances that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the School's board of directors and management and may be increased, reduced, or eliminated by similar actions.

Budgets and Budgetary Accounting

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the reporting period. The School filed an original budget and was accepted in June 2017 by the Labor, Education and Community Services Comptroller's Office. The budget is controlled by the Chief Executive Officer at the revenue and expenditure function/object level. Budgeted amounts are as approved by the board of directors. The board of directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. An amended budget was not needed by the School during the fiscal year. The budget is presented as required supplementary information. During the year ended June 30, 2018, the actual School expenditures exceeded the approved budgeted amounts for the current year as noted in the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund.

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 disclosures 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.

Receivables

Receivables primarily consist of amounts due from federal, state, and local authorities. Receivables are stated at the amount management expects to collect. The School maintains an allowance for doubtful accounts for estimated losses resulting from the inability of governments to make required payments. If the financial conditions of these governments were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the School provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the School has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance balance as of June 30, 2018 was \$9,736.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. If material assets are to be received on promises to give beyond one year from the year of the related revenue recognition, the contribution is recognized at its net present value, based on a discount rate of 4.50%.

Capital Assets

Capital assets, which include land, building and improvements, and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School maintains a threshold level of \$2,500, per individual item, or more for capitalizing assets. The School does not possess any infrastructure. The infrastructure, which consists of the land and building, is owned by the component units, which are shown as blended in the accompanying financial statements. 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 expensed. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 25 years.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Advertising Costs

All costs associated with advertising and promotions are expensed in the year incurred and totaled \$6,676 for the year ended June 30, 2018.

Income Tax Status

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

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

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

As of June 30, 2018, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes. The School files an income tax return in the U.S. federal jurisdiction.

Pensions

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at 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.psers.pa.us.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, or the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had 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 one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (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.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

Contributions

Member Contributions:

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (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 the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The employers contractually required contribution rate for fiscal year ended June 30, 2018 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were \$746,000 for the year ended June 30, 2018.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS Health Options Program (HOP).

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$20,000 for the year ended June 30, 2018.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 CASH

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's (FDIC) limits and published credit ratings of its depository bank. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School has not elected for its accounts to be covered under this act.

As of June 30, 2018, \$2,147,069 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 2,147,069
Insured Amount	508,982
Less: Outstanding Checks	<u>(283,808)</u>
Total	<u><u>\$ 2,372,243</u></u>

NOTE 4 PROMISES TO GIVE

Pledged contributions receivable of \$106,240 will be received over multiple years and have been discounted to present value using the School's current borrowing rate of 4.50%. Payments are pledged as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 43,333
2020	43,333
2021	10,000
2022	10,000
2023	<u>10,000</u>
Total	116,666
Unamortized Discount	<u>(10,426)</u>
Total Promises to Give	<u><u>\$ 106,240</u></u>

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)

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

For nonspecial education students, charter schools receive for each student enrolled no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2018, the rate was \$8,523 per year per student for the majority of the students, plus additional funding for special education students and transportation. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$8,839,293 for the year ended June 30, 2018.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land - Component Unit	\$ 1,375,702	\$ -	\$ -	\$ 1,375,702
Total Capital Assets, Not Being Depreciated	1,375,702	-	-	1,375,702
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,079,270	-	-	9,079,270
Building - Component Unit	2,689,258	-	-	2,689,258
Equipment	2,122,976	218,235	-	2,341,211
Less Accumulated Depreciation	(5,065,678)	(441,768)	-	(5,507,446)
Total Capital Assets, Being Depreciated	8,825,826	(223,533)	-	8,602,293
Capital Assets, Net	<u>\$ 10,201,528</u>	<u>\$ (223,533)</u>	<u>\$ -</u>	<u>\$ 9,977,995</u>

Depreciation expense for the year ended June 30, 2018, was \$441,768.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the School reported a liability of \$11,754,000 for its proportionate share of net pension liability for the PSERS Plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's actuarially determined total pension liability as of June 30, 2016 to June 30, 2017. The employer's proportion of the net pension liability was calculated utilizing the School's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School's proportion was .0238%, which was a decrease of .0015% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$1,380,821. At June 30, 2018, 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	\$ 123,000	\$ (71,000)
Changes in Assumptions	319,000	-
Net Difference Between Projected and Actual Investment Earnings	272,000	-
Changes in Proportions	558,000	(1,010,000)
Difference between Employer Contributions and Proportionate Share of Total Contributions	-	(170,000)
Contributions Subsequent to the Measurement Date	746,000	-
Total	<u>\$ 2,018,000</u>	<u>\$ (1,251,000)</u>

The amount of \$746,000 is 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 89,700
2020	171,700
2021	23,700
2022	(264,100)
Total	<u>\$ 21,000</u>

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – Level % of Pay
- Investment Return – The investment rate of return was 7.25%.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS board at its June 10, 2016 board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	20.0 %	5.1 %
Fixed Income	36.0	2.6
Commodities	8.0	3.0
Absolute Return	10.0	3.4
Risk Parity	10.0	3.8
Infrastructure/MLPs	8.0	4.8
Real Estate	10.0	3.6
Alternative Investments	15.0	6.2
Cash	3.0	0.6
Financing (LIBOR)	(20.0)	1.1
Total	<u>100.0 %</u>	

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The above was the PSERS board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projections of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net asset position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension Liability	<u>\$ 14,469,000</u>	<u>\$ 11,754,000</u>	<u>\$ 9,463,000</u>

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2018, the School reported a liability of \$485,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total actuarially determined OPEB liability as of June 30, 2016 to June 30, 2017. The School’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School’s proportion was .0238%, which was a decrease of .0015% from its proportion measured as of June 30, 2016.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2018, the School recognized OPEB credit of \$(4,929). At June 30, 2018, 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>
Net Difference Between Projected and Actual Investment Earnings	\$ 1,000	\$ -
Changes in Proportion	-	(28,000)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	-	(5,571)
Changes in Assumptions	-	(23,000)
Contributions Subsequent to the Measurement Date	<u>20,000</u>	<u>-</u>
Total	<u>\$ 21,000</u>	<u>\$ (56,571)</u>

\$20,000 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ (9,512)
2020	(9,512)
2021	(9,512)
2022	(9,512)
2023	(9,762)
Thereafter	(7,761)
Total	<u>\$ (55,571)</u>

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2017, was determined by rolling forward the PSERS total OPEB liability as of the June 30, 2016 actuarial valuation, to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method was entry age normal, level percent of pay.
- Investment return – 3.13% - S&P 20 Year Municipal Bond Rate.
- Effective average salary growth of 5.0%, comprising 2.75% for inflation and 2.25% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement benefits capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year and assume a trend rate of between 5% and 8%.
- Mortality rates were 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.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%,
 - Eligible retirees will elect to participate post-age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015, determined the employer contribution rate for fiscal year 2017.
- Cost method was developed using the amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method was market value.
- Participation rate assumed that 63% of eligible retirees will elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set-back 3 for both males and females for healthy annuitants and for dependent beneficiaries, with adjustments made for disabled annuitants.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The OPEB plan's policy with regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Following is the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class, as of June 30, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76 %	0.6 %
Fixed Income	24 %	1.5 %
	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13% at June 30, 2017. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered to be a pay-as-you-go plan. A discount rate of 3.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS, BENEFIT EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the School's share of the Premium Assistance net OPEB liability at June 30, 2018, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
1% Decrease (between 4% and 7%)	Health Care Cost Trend Rates (between 5% and 8%)	1% Increase (between 6% and 9%)
\$ 485,000	\$ 485,000	\$ 485,000

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate (3.13%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 2.13%	Current Rate 3.13%	1% Increase 4.13%
\$ 551,000	\$ 485,000	\$ 430,000

OPEB Plan Fiduciary Net Position

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

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2018:

<u>Description</u>	<u>Amount</u>
<p>Loan 1 - In September 2007, Choice Holdings and Boys Latin secured a construction loan with TD Bank for a total amount of \$5,775,000 to acquire Boys Latin's facility and fund improvements. In May 2009, the loan was converted to a 25-year term at an annual interest rate of 4.73%. The loan is payable in monthly installments of \$32,610 and is secured by all assets of Boys Latin subject to the security agreement and all real and personal property subject to the lien of the mortgage.</p>	\$ 4,447,822
<p>Loan 2 - In May 2007, the School secured a note for a total amount of \$1,175,000. The original terms of the note were a 5-year term at an annual interest rate of 7%. In October 2012, the accrued interest on the loan was forgiven and all future interest is suspended until further notice. The note matures on June 30, 2019.</p>	775,000
<p>Loan 3 - The School secured a note with an amount of \$2,530,000. In October 2012, the accrued interest on the loan was forgiven and all future interest is suspended until further notice. The original terms of the note were a 138-month term at an annual interest rate of 7%. During the year ended June 30, 2016, the lender made a charitable contribution to the School by forgiving \$1,000,000 of the principal balance due. The note matures on June 30, 2019.</p>	1,530,000
<p>Loan 4 - In July 2015, Choice Academics entered into a construction loan ("Construction Loan") with Meridian Bank. The purpose of the Construction Loan is for renovations on certain real property at 331-37 63rd Street. The construction period has ended and the loan has been converted into a conventional term loan. Interest accrues on the outstanding and unpaid balance of this loan for the first five-year term at 4.50% per annum. Thereafter, the interest rate will be equal to the Federal Home Loan Bank published five-year nonamortizing Fixed-Rate Credit Rate, plus 2.75%. The loan is secured by a first mortgage on Choice Academics' real property, substantially all other assets of Choice Academics and an assignment of all rents and leases arising from the property. The loan matures and the outstanding principal and accrued interest are due on July 27, 2025.</p>	1,235,288
<p>Van Loans 1 & 2 - The School entered into two loan agreements to purchase two vans. The loans are payable in monthly installments of \$456 for each agreement at an annual interest rate of 6.25%. The loan agreements are secured by the vans.</p>	31,330
Total	8,019,440
Less: Current Maturities	(2,540,072)
Long-Term Debt, Net	\$ 5,479,368

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Following are changes in long-term debt for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due within One Year
Loan 1	\$ 4,621,220	\$ -	\$ (173,398)	\$ 4,447,822	\$ 181,974
Loan 2	775,000	-	-	775,000	775,000
Loan 3	1,530,000	-	-	1,530,000	1,530,000
Loan 4	1,277,182	-	(41,870)	1,235,312	43,850
Van Loan 1	-	23,450	(7,997)	15,453	4,624
Van Loan 2	-	23,450	(7,997)	15,453	4,624
Total Debt	<u>8,203,402</u>	<u>46,900</u>	<u>(231,262)</u>	<u>8,019,040</u>	<u>2,540,072</u>
Accrued Interest Expense	18,216	-	-	18,216	-
Total	<u>\$ 8,221,618</u>	<u>\$ 46,900</u>	<u>\$ (231,262)</u>	<u>\$ 8,037,256</u>	<u>\$ 2,540,072</u>

Interest expense on long-term debt was \$277,643 for the year ended June 30, 2018.

The School has specific financial debt covenants regarding its long-term debt, including a debt service coverage ratio that is measured annually. The School was in compliance with all covenants at June 30, 2018.

At June 30, 2018, future principal and interest requirements of long-term debt based on the schedule of mandatory redemption, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,540,081	\$ 266,493	\$ 2,806,574
2020	245,942	255,631	501,573
2021	258,737	277,837	536,574
2022	262,049	230,332	492,381
2023	272,945	217,681	490,626
2024 to 2028	2,268,716	776,480	3,045,196
2029 to 2033	1,619,006	337,603	1,956,609
2034 to 2035	551,964	20,658	572,622
Total	<u>\$ 8,019,440</u>	<u>\$ 2,382,715</u>	<u>\$ 10,402,155</u>

NOTE 10 GRANT CONTINGENCIES

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 LITIGATION

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of management, as of January 7, 2019, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

NOTE 12 RISK MANAGEMENT

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

NOTE 13 EMPLOYEE BENEFIT PLAN

The School maintains a savings incentive 403(b) plan for its employees. All employees are eligible. Participants may elect voluntary salary deferrals under the plan up to the maximum permitted by law. The School makes a contribution for certain employees enrolled in the plan at a rate of 5% of eligible compensation as defined in the plan agreement. Contribution expense for the plan amounted to \$213,760 for the year ended June 30, 2018.

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE

The School has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Statement No. 75 requires the School to report its share of the liabilities, expense, deferred outflows of resources, and deferred inflows of resources allocated to it by the Public School Employees' Retirement System Health Insurance Premium Assistance Program, which is a defined benefit retiree healthcare plan administered by the Commonwealth of Pennsylvania. The July 1, 2017, balances of these other postemployment benefit liabilities (with "other" meaning "other than pensions"), known as OPEB liabilities, and related deferred outflows of resources are reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2017 Net position—beginning of year.

As of July 1, 2017, net position has been restated as follows:

	Governmental Activities
Net Position, Beginning of Year, as Previously Stated	\$ (7,350,024)
Balance of the Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(525,500)</u>
Net Position, Beginning of Year, as Restated	<u><u>\$ (7,875,524)</u></u>

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No.83 are effective for reporting periods beginning after June 15, 2018. The School is assessing if Statement No. 83 will have any impact on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No.84 are effective for reporting periods beginning after December 15, 2018. The School is assessing if Statement No. 84 will have any impact on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions in Statement No.85 are effective for reporting periods beginning after June 15, 2017. The School adopted Statement No. 85 and no financial statement changes were noted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions in Statement No.87 are effective for reporting periods beginning after December 15, 2019. The School is assessing if Statement No. 87 will have any impact on its financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The School is assessing if Statement No. 88 will have any impact on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The School is assessing if Statement No. 89 will have any impact on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which is effective for reporting periods beginning after December 15, 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The School is assessing if Statement No. 90 will have any impact on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL* – GENERAL FUND (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Educational Agencies	\$ 8,008,073	\$ 8,008,073	8,839,293	\$ 831,220
Other Local Sources	1,070,223	1,070,223	1,356,327	286,104
State Sources	196,448	196,448	227,401	30,953
Federal Sources	999,000	999,000	1,184,742	185,742
Total Revenues	<u>10,273,744</u>	<u>10,273,744</u>	<u>11,607,763</u>	<u>1,334,019</u>
EXPENDITURES				
Instruction	5,724,468	5,724,468	5,807,212	(82,744)
Support Services	3,389,080	3,389,080	4,024,040	(634,960)
Noninstructional Services	663,969	663,969	683,649	(19,680)
Capital Outlays	-	-	218,235	(218,235)
Debt Service	10,946	10,946	409,601	(398,655)
Total Expenditures	<u>9,788,463</u>	<u>9,788,463</u>	<u>11,142,737</u>	<u>(1,354,274)</u>
Excess (Deficiency) of Revenues Over Expenditures	485,281	485,281	465,026	(20,255)
OTHER FINANCING SOURCES AND USES				
Proceeds from Loan	-	-	46,900	46,900
Transfers Out	-	-	(99,304)	(99,304)
Total Other Finance Sources (Uses)	<u>-</u>	<u>-</u>	<u>(52,404)</u>	<u>(52,404)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 485,281</u>	<u>\$ 485,281</u>	412,622	<u>\$ (72,659)</u>
Fund Balance - Beginning of Year			<u>783,477</u>	
FUND BALANCE- END OF YEAR			<u>\$ 1,196,099</u>	

*The School adopts an annual budget on the budgetary basis, which is consistent with GAAP for the governmental funds.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULES OF PROPORTIONATE SHARE OF
PSERS NET PENSION LIABILITY AND CONTRIBUTIONS
(UNAUDITED)**

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
PSERS Measurement Date (Unaudited)
(In Thousands)

Fiscal Year	PSERS Net Pension Liability		School's Covered Employee Payroll	School's Proportional Share of NPL as a % of Covered Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
	School's Proportion	School's Proportion Share			
2013/14	0.0214%	\$ 8,761	\$ 2,752	318.33%	54.49%
2014/15	0.0275%	\$ 10,884	\$ 3,511	309.99%	57.24%
2015/16	0.0263%	\$ 11,392	\$ 3,387	336.31%	54.36%
2016/17	0.0253%	\$ 12,538	\$ 3,274	382.92%	50.14%
2017/18	0.0238%	\$ 11,754	\$ 3,165	371.37%	51.84%

PSERS Schedule of Contributions (Unaudited)
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2013/14	\$ 598	\$ 598	\$ -	\$ 3,511	17.03%
2014/15	\$ 777	\$ 777	\$ -	\$ 3,387	22.94%
2015/16	\$ 844	\$ 844	\$ -	\$ 3,274	25.78%
2016/17	\$ 691	\$ 691	\$ -	\$ 3,165	21.83%
2017/18	\$ 746	\$ 746	\$ -	\$ 2,349	31.76%

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

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULES OF PROPORTIONATE SHARE OF
PSERS NET OPEB LIABILITY AND CONTRIBUTIONS
(UNAUDITED)**

Schedule of Proportionate Share of PSERS Net OPEB Liability
PSERS Measurement Date (Unaudited)
(In Thousands)

Fiscal Year	PSERS Net OPEB Liability		School's Covered Employee Payroll	School's Proportional Share of OPEB as a % of Covered Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
	School's Proportion	School's Proportion Share			
2017/18	0.0238%	\$ 11,754	\$ 3,165	371.37%	5.73%

PSERS OPEB Schedule of Contributions (Unaudited)
(In Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017/18	\$ 20	\$ 20	\$ -	\$ 2,349	0.85%

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

**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***

Board of Directors
Boys Latin of Philadelphia Charter School
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School (the School), a nonprofit organization, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

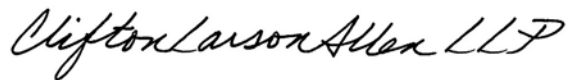
As part of obtaining reasonable assurance about whether the School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Boys Latin of Philadelphia Charter School’s Response to Findings

Boys Latin of Philadelphia Charter School’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys Latin of Philadelphia Charter School’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
January 7, 2019

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

2018-001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: While performing audit procedures, one student was determined to be included and billed for as part of the School District reporting but did not attend the school during the fiscal year. As a result, the School was not following the policy in place to determine the accuracy of the student listing and attendance process.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that the student listing and attendance process is accurate.

Context: While performing audit procedures, it was noted that after a review 25 student files, one exception was noted. A student was determined to be included and billed as part of the School District billing but did not attend the school during the fiscal year.

Effect: The School received a student subsidy payment for which it was not eligible to receive.

Cause: The School's internal control process for updating and maintaining the student listing and attendance process was not followed to ensure the information within the School District of Philadelphia's billing system was in agreement with the School's internal information.

Recommendation: Management should review and update the internal control policy for student listing and attendance process and complete an analysis of the current student population to determine the accuracy of the student listing and attendance information.

Views of responsible officials and planned corrective actions:

School management took this finding extremely seriously and immediately collaborated with the auditors to confirm that this incident was in fact isolated to one of the over 800 students enrolled in Boys Latin last year. Fiscal year 2018 was the first academic year during which the Student Information System ("SIS") was used in lieu of the School Computer Network ("SCN"). In prior years, the computer system would unclaim each and every student at the end of the prior academic year; our Director of Enrollment had to manually re-enroll students who attended Boys' Latin in the fall. In this instance, students who were enrolled in June 2017 were auto-enrolled by the computer system. Our Director of Enrollment performed monthly comparisons of the school's attendance records with the SCN, ensuring that all Boys' Latin students were accounted for in the system. She did not perform the reverse analysis, confirming each and every month that the full record of students per the SCN was accounted for in our internal attendance records. Although the school management team is troubled by this singular mistake, we have confirmed that it was an isolated incident affecting 0.1% of our students.

Beginning in September 2018 and going forward, a monthly analysis has and will be completed that compares the SCN with our attendance records using PAMSecure IDs so that errors will be completely eliminated from this process. Our accountant and auditors have confirmed that this newly implemented measure is in line with best practices and will resolve this issue going forward.



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