BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys Latin of Philadelphia Charter School

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 (a nonprofit organization) (the "School") as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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Auditor's Responsibility (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information on pages 4 - 7 and 31 - 33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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Other Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of Boys Latin of Philadelphia Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys Latin of Philadelphia Charter 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 Boys Latin of Philadelphia Charter School's internal control over financial reporting and compliance.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 15, 2017

The Board of Directors of Boys Latin of Philadelphia Charter School ("Boys Latin"), Choice Holdings, LLC ("Choice Holdings") and Choice Academics, Inc. ("Choice Academics") (collectively, the "School") offers 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, 2017. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- Total governmental revenues for the year ended June 30, 2017, were $11,115,135, representing a decrease of $762,450 from the year ended June 30, 2016.
- At June 30, 2017, the School reported a governmental funds balance of $815,626, representing an increase of $352,071 from June 30, 2016.
- The School's cash balance at June 30, 2017, was $1,481,390, representing an increase of $413,200 from June 30, 2016.

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).

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.

Overview of the Financial Statements (Continued)

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 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.

Single Audit Requirements

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

Government-wide Financial Analysis

	June 30, 2017	June 30, 2016
Current assets	$ 2,097,110	$ 1,656,005
Capital assets	10,201,528	10,382,372
Total assets	12,298,638	12,038,377
Deferred outflows of resources	2,891,262	2,345,864
Current liabilities	1,255,890	1,172,058
Noncurrent liabilities	20,526,034	19,595,338
Total liabilities	21,781,924	20,767,396
Deferred inflows of resources	758,000	477,000
Net position:		
Net investment in capital assets	1,998,126	1,989,898
Restricted	39,697	1,077,987
Unrestricted	(9,387,847)	(9,928,040)
TOTAL NET POSITION	$ (7,350,024)	$ (6,860,155)

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 $7,350,024 as of June 30, 2017.

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, 2017, the School's expenses of $11,605,004 exceeded its revenues of $11,115,135 by $489,869.

	2017	2016
Revenues:		
Program revenues:		
Operating grants and contributions	$ 2,868,734	$ 2,862,267
General revenues:		
Grants and contributions not restricted to specific programs	6,475,832	6,259,717
Miscellaneous	1,770,569	2,755,601
Total general revenues	8,246,401	9,015,318
Total revenues	11,115,135	11,877,585
Expenses:		
Other instructional programs	5,631,963	6,267,156
Instructional staff services	3,124	-
Administrative services	2,667,142	2,231,534
Pupil health	71,595	70,875
Business services	299,488	180,626
Operation and maintenance of plant services	467,280	639,660
Student activities	348,307	517,143
Other support services	723,322	476,901
Food services	371,141	441,840
Interest expense	293,755	268,478
Depreciation expense	727,887	728,548
Total expenses	11,605,004	11,822,761
Change in net position	(489,869)	54,824
Net position - beginning	(6,860,155)	(6,914,979)
NET POSITION - ENDING	$ (7,350,024)	$ (6,860,155)

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 $711,952 and the total fund balance of the governmental funds was $815,626.

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, 2017, the School's investment in capital assets for its governmental activities totaled $10,201,528 (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, 2017, the School has notes payable of $8,203,402.

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.

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.

Component Units

Choice Holdings and Choice Academics are component units of the School and are reported as part of capital projects fund in the governmental fund financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	$ 1,481,390
State subsidies receivable	134,125
Federal subsidies receivable	333,630
Promise to give	49,186
Other receivables	25,148
Prepaid expenses	31,828
Other assets	41,803
Capital assets:	
Land	1,375,702
Building and improvements	11,768,528
Equipment	2,122,976
Less: accumulated depreciation	(5,065,678)
Total assets	12,298,638
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,891,262
LIABILITIES	
Accounts payable and accrued expenses	205,630
Salaries and benefits payable	685,621
Due to other governments	149,271
Long-term obligations:	
Due within one year:	
Notes payable	215,368
Due beyond one year:	
Notes payable	7,988,034
Pension liability	12,538,000
Total liabilities	21,781,924
Commitments and contingencies (Notes 7, 8, 9, 10, 11 and 12)	
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	758,000
NET POSITION	
Net investment in capital assets	1,998,126
Restricted for:	
Warrior fund	39,697
Unrestricted	(9,387,847)
TOTAL NET POSITION	$ (7,350,024)

See accompanying notes to financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net Revenue (Expense) and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Other instructional programs	$ 5,631,963	$ -	$ 2,359,222	$ (3,272,741)
Instructional staff services	3,124	-	-	(3,124)
Administrative services	2,667,142	-	-	(2,667,142)
Pupil health	71,595	-	-	(71,595)
Business services	299,488	-	-	(299,488)
Operation and maintenance of plant services	467,280	-	134,141	(333,139)
Student activities	348,307	-	-	(348,307)
Other support services	723,322	-	-	(723,322)
Food services	371,141	-	375,371	4,230
Interest expense	293,755	-	-	(293,755)
Depreciation expense (Note 6)	727,887	-	-	(727,887)
Total governmental activities	$ 11,605,004	$ -	$ 2,868,734	(8,736,270)
	General revenues:			
	Local educational agencies			6,475,832
	All other revenue			1,770,569
	Total general revenues			8,246,401
	Change in net position			(489,869)
	Net position - beginning			(6,860,155)
	NET POSITION - ENDING			$ (7,350,024)

See accompanying notes to financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	$ 1,440,966	$ 40,424	$ 1,481,390
State subsidies receivable	134,125	-	134,125
Federal subsidies receivable	333,630	-	333,630
Promises to give	49,186	-	49,186
Other receivables	25,148	-	25,148
Prepaid expenses	31,828	-	31,828
Other assets	41,803	-	41,803
TOTAL ASSETS	$ 2,056,686	$ 40,424	$ 2,097,110
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	$ 197,355	$ 8,275	$ 205,630
Salaries and benefits payable	926,583	-	926,583
Due to other governments	149,271	-	149,271
Total liabilities	1,273,209	8,275	1,281,484
Fund balances:			
Restricted	39,697	-	39,697
Nonspendable	31,828	-	31,828
Unassigned	711,952	32,149	744,101
Total fund balances	783,477	32,149	815,626
TOTAL LIABILITIES AND FUND BALANCES	$ 2,056,686	$ 40,424	$ 2,097,110

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, 2017

Total fund balances for the governmental funds		$ 815,626
Total net position reported for governmental activities in the statement of net position is different because:		
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:		
Notes payable	$ (8,203,402)	
Net pension liability, net of required contractual liability	(12,297,038)	
		(20,500,440)
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	1,375,702	
Building and improvements	11,768,528	
Equipment	2,122,976	
Less: accumulated depreciation	(5,065,678)	
		10,201,528
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. Balances at year end are:		
Deferred outflows of resources related to pensions	2,891,262	
Deferred inflows of resources related to pensions	(758,000)	
		2,133,262
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (7,350,024)

See accompanying notes to financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES OF THE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Local educational agencies	$ 7,863,275	$ -	7,863,275
Other local sources	1,328,069	442,500	1,770,569
State sources	193,558	-	193,558
Federal sources	1,287,733	-	1,287,733
Total revenues	10,672,635	442,500	11,115,135
Expenditures:			
Instruction	4,922,750	-	4,922,750
Support services	4,112,097	2,700	4,114,797
Non-instructional services	571,329	124,319	695,648
Capital outlays	276,957	270,086	547,043
Debt service	400,020	82,806	482,826
Total expenditures	10,283,153	479,911	10,763,064
Excess (deficiency) of revenues over expenditures	389,482	(37,411)	352,071
Other financing sources (uses):			
Interfund transfers in (out)	(53,874)	53,874	-
Net change in fund balances	335,608	16,463	352,071
Fund balances - beginning	447,869	15,686	463,555
FUND BALANCES - ENDING	$ 783,477	$ 32,149	$ 815,626

See accompanying notes to financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in the fund balances - total governmental funds		$ 352,071
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	$ 189,071	
		189,071
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	547,043	
Depreciation expense	(727,887)	
		(180,844)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost incurred for future pension benefits is reported as pension expense, as follows:		
School pension contribution	(1,570,000)	
Cost of benefits earned net of employee contributions	719,833	
		(850,167)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (489,869)

See accompanying notes to financial statements.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2016-2017 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, not-for-profit component unit of the School. Choice Holdings' purpose is to lease property to and from the School in connection with its operation of a charter school. 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 Academics, Inc. ("Choice Academics") is a legally separate, not-for-profit component unit of the School. Choice Academics' 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, Choice Academics 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.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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.
- Indirect expenses are those that are related to the administration and support of the School's programs, such as personnel and accounting (but not interest on long-term debt) and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- 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.

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, 2017.

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.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), 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.

- 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.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

- 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.

  Prepaid expenses- portion of the fund balance that is not an available resource because it represents amounts prepaid for various expenses and rent, which are not spendable resources.

- 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.

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, assignments and designations 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

The School adopts an annual budget on a budgetary basis, which is consistent with accounting principles generally accepted in the United States of America ("GAAP") for the general fund. The School is required to present the adopted and final budgeted revenues and expenditures for the general fund that was filed and accepted by the Labor, Education and Community Services Comptroller's Office. The general fund budget appears on page 31.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 or more for capitalizing assets. The School does not possess any infrastructure. The infrastructure 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.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources
GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of net position and related disclosures. In compliance with GASB 63, the statement of net position includes four components: assets, deferred outflows of resources, liabilities, and deferred 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 $11,749 for the year ended June 30, 2017.

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

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, 2017, 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.

NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

The School follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). Under GASB 68 and 71, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (the "PSERS") and additions to/deductions from the PSERS's fiduciary net position, have been determined on the same basis as they are reported by the PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

Recently Adopted Governmental Accounting Standards

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* ("GASB 80"), which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions of GASB 80 were adopted for the School's June 30, 2017, financial statements. The effect of implementation was not material to the School's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* ("GASB 82"), which addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of GASB 82 were adopted for the School's June 30, 2017 financial statements. The effect of implementation was not material to the School's financial statements.

Subsequent Events

The School has evaluated subsequent events through December 15, 2017, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2. 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.

NOTE 2. CASH (CONTINUED)

As of June 30, 2017, the custodial credit risk is as follows:

Uninsured and uncollateralized	$	1,369,666
Collateralized		-
Uninsured and collateral held by the pledging bank's trust department not in School's name		-
Total	$	1,369,666

Reconciliation to the financial statements:

Cash exposed to custodial credit risk	$	1,369,666
Plus: insured amount		250,000
Less: outstanding checks		(138,276)
	$	1,481,390

NOTE 3. RECEIVABLES

Federal	$	333,630
State		134,125
Other		37,364
		505,119
Less: allowance for doubtful accounts		(12,216)
	$	492,903

NOTE 4. PROMISES TO GIVE

A pledged contribution receivable of $67,500 to be received over eight years has been discounted to present value using the School's current borrowing rate. Payments are pledged as follows:

Year ending June 30:		Amount
2018	$	7,500
2019		10,000
2020		10,000
2021		10,000
2022		10,000
2023		10,000
		57,500
Unamortized discount		(8,314)
	$	49,186

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 non-special 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, 2017, the rate was $8,139 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 $7,863,275 for the year ended June 30, 2017.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets that are not depreciated:				
Land	$ 1,375,702	$ -	$ -	$ 1,375,702
Capital assets that are depreciated:				
Building and improvements	11,498,442	270,086	-	11,768,528
Equipment	1,846,019	276,957	-	2,122,976
Less: accumulated depreciation	(4,337,790)	(727,888)	-	(5,065,678)
Total depreciable capital assets, net	9,006,671	(180,845)	-	8,825,826
Capital assets, net	$ 10,382,373	$ (180,845)	$ -	$ 10,201,528

Depreciation expense for the year ended June 30, 2017, was $727,887.

NOTE 7. RETIREMENT PLAN

Plan Description

The School contributes to a governmental cost-sharing, multiple-employer defined benefit pension plan administered by the PSERS (or "Teachers' Plan"), which provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. The PSERS issues a publicly available financial report that can be obtained at www.psers.pa.us.

Benefits Provided

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

NOTE 7. RETIREMENT PLAN (CONTINUED)

Contributions

Member contributions are as follows:

- Active members who joined the PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS prior to, 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 PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (Membership Class T-D). For all new hires and for members who elected Membership Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the PSERS after June 30, 2011, automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 that, in future fiscal years, could cause the Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

The School's contractually required contribution rate for the fiscal year ended June 30, 2017, was 30.03% 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 pension plan for the year ended June 30, 2017, amounted to $719,833.

NOTE 8. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the School reported a liability of $12,538,000 for its proportionate share of the net pension liability of the Teacher's Plan. The net pension liability was measured as of June 30, 2016 (beginning of the School's fiscal year), and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS's total pension liability as of June 30, 2015, to June 30, 2016. The School'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, 2016, the School's proportion was 0.0253%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $1,570,000. At June 30, 2017, 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	$ -	$ (104,000)
Changes in assumptions	453,000	-
Net difference between projected and actual investment earnings	699,000	-
Changes in proportions	1,042,000	(654,000)
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	697,262	-
	$ 2,891,262	$ (758,000)

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, 2018. 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:

Year ending June 30:	Amount
2018	$ 498,000
2019	498,000
2020	264,000
2021	176,000
	$ 1,436,000

NOTE 8. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2016, was determined by rolling forward the PSERS's total pension liability as of the June 30, 2015, actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females to 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. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females to 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, 2016, 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 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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 8. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5 %	5.3 %
Fixed income	28.5 %	2.1 %
Commodities	8.0 %	2.5 %
Absolute return	10.0 %	3.3 %
Risk parity	10.0 %	3.9 %
Infrastructure/MLPs	5.0 %	4.8 %
Real estate	12.0 %	4.0 %
Alternative investments	15.0 %	6.6 %
Cash	3.0 %	0.2 %
Financing (LIBOR)	(14.0)%	0.5 %
	100 %	

The above was the PSERS's Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

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

NOTE 8. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

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%
The School's proportionate share of the net pension liability	$ 15,337,000	$ 12,538,000	$ 10,186,000

Pension Plan Fiduciary Net Position

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

NOTE 9. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2017:

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.	$ 4,621,220
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 20, 2019.	775,000
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 20, 2019.	1,530,000

NOTE 9. LONG-TERM DEBT (CONTINUED)

Loan 4 - In July 2015, Choice Academics entered into a construction loan ("Construction Loan") from 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. The outstanding principal balance is $1,277,182 as of June 30, 2017. 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 non-amortizing 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.	$ 1,277,182
	8,203,402
Less: current maturities	215,368
	$ 7,988,034

Following are changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Amount Due in One Year
Loan 1	$ 4,786,570	$ -	$ (165,350)	$ 4,621,220	$ 173,470
Loan 2	775,000	-	-	775,000	-
Loan 3	1,530,000	-	-	1,530,000	-
Loan 4	1,300,904	-	(23,722)	1,277,182	41,898
	$ 8,392,474	$ -	$ (189,072)	$ 8,203,402	$ 215,368

Interest expense on long-term debt was $293,755 for the year ended June 30, 2017.

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, 2017.

NOTE 9. LONG-TERM DEBT (CONTINUED)

At June 30, 2017, future principal and interest requirements of long-term debt based on the schedule of mandatory redemption, are as follows:

Year ending June 30:	Principal	Interest	Total
2018	$ 215,368	$ 275,258	$ 490,626
2019	2,530,825	264,801	2,795,626
2020	236,091	254,544	490,635
2021	248,252	242,374	490,626
2022	260,306	230,320	490,626
2023-2027	2,262,050	881,417	3,143,467
2028-2032	1,543,056	413,552	1,956,608
2033-2035	907,454	56,442	963,896
	$ 8,203,402	$ 2,618,708	$ 10,822,110

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.

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 December 15, 2017, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

NOTE 12. 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 $33,882 for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCE
BUDGET AND ACTUAL*
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
Revenues:				
Local educational agencies	$ 7,876,562	$ 7,876,562	$ 7,863,275	$ (13,287)
Other sources	1,217,790	1,217,790	1,328,069	110,279
State sources	169,000	169,000	193,558	24,558
Federal sources	1,493,399	1,493,399	1,287,733	(205,666)
Total revenues	10,756,751	10,756,751	10,672,635	(84,116)
Expenditures:				
Instruction	5,705,138	5,705,138	4,922,750	(782,388)
Support services	3,685,802	3,685,802	4,112,097	426,295
Non-instructional services	773,808	773,808	571,329	(202,479)
Capital outlays	-	-	276,957	276,957
Debt service	392,275	392,275	400,020	7,745
Total expenditures	10,557,023	10,557,023	10,283,153	(273,870)
Excess of revenues over expenditures	199,728	199,728	389,482	189,754
Other financing sources:				
Interfund transfers out	-	-	(53,874)	(53,874)
Net change in fund balance	199,728	199,728	335,608	135,880
Fund balance - beginning	447,869	447,869	447,869	-
FUND BALANCE - ENDING	$ 647,597	$ 647,597	$ 783,477	$ 135,880

***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
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION PLAN
Last 10 Fiscal Years*

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
School's proportion of the net pension liability	0.0253 %	0.0263 %	0.0275 %	0.0214 %
School's proportionate share of the net pension liability	$ 12,538,000	$ 11,392,000	$ 10,884,000	$ 8,761,000
School's covered-employee payroll	$ 3,274,343	$ 3,387,329	$ 3,511,063	$ 2,752,173
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.92 %	336.31 %	309.99 %	318.33 %
Plan fiduciary net position as a percentage of the total pension liability	50.14 %	54.36 %	57.24 %	54.49 %

***Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.**

See independent auditor's report.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF SCHOOL CONTRIBUTIONS
TEACHERS' PENSION PLAN
Last 10 Fiscal Years*

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
School's contractually required contribution	$ 690,652	$ 843,763	$ 776,933	$ 597,664
School's contributions in relation to the contractually required contribution	(478,871)	(843,763)	(776,933)	(597,664)
Contribution deficiency	$ 211,781	$ -	$ -	$ -
School's covered-employee payroll	$ 3,274,343	$ 3,387,329	$ 3,511,063	$ 2,752,173
Contributions as a percentage of covered-employee payroll	21.09 %	24.91 %	22.13 %	21.72 %

***Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.**

See independent auditor's report.

SINGLE AUDIT

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning Date	Grant Period Ending Date	Program or Award Amount	Total Received for the Year	Accrued Revenue at July 1, 2016	Revenue Recognized	Expenditures	Accrued Revenue at June 30, 2017
U.S. Department of Agriculture											
Passed-through the Pennsylvania Department of Education											
National School Lunch Program	(I)	10.555	362	7/1/2016	6/30/2017	N/A	$ 241,474	$ 14,768	$ 276,311	$ 276,311	$ 49,605
School Breakfast Program	(I)	10.553	365	7/1/2016	6/30/2017	N/A	76,221	9,412	78,575	78,575	11,766
Total Child Nutrition Cluster							317,695	24,180	354,886	354,886	61,371
Total U.S. Department of Agriculture							$ 317,695	$ 24,180	$ 354,886	$ 354,886	$ 61,371
U.S. Department of Education											
Passed-through the Pennsylvania Department of Education											
Title I Grants to LEAs	(I)	84.010	013-161065	7/1/2015	9/30/2016	$ 536,861	$ 89,035	$ 89,035	$ -	$ -	$ -
Title I Grants to LEAs	(I)	84.010	013-171065	7/1/2016	9/30/2017	600,222	472,559	-	600,222	600,222	127,663
Program Improvement - Set Aside	(I)	84.010	042-151065	7/1/2015	9/30/2016	66,653	11,762	11,762	-	-	-
Program Improvement - Set Aside	(I)	84.010	042-161065	4/27/2016	9/30/2017	69,832	11,639	-	69,832	69,832	58,193
21st Century Community Learning Centers	(I)	84.287	N/A	9/1/2014	12/31/2016	400,000	227,592	58,106	169,486	169,486	-
Improving Teacher Quality State Grants	(I)	84.367	020-161065	7/1/2015	9/30/2016	10,796	771	771	-	-	-
Improving Teacher Quality State Grants	(I)	84.367	020-171065	7/1/2016	9/30/2017	9,941	6,903	-	9,941	9,941	3,038
Total passed-through the Pennsylvania Department of Education							820,261	159,674	849,481	849,481	188,894
Passed-through the School District of Philadelphia											
Special Education Grants to States	(I)	84.027	062-160026	7/1/2015	6/30/2016	70,995	70,995	70,995	-	-	-
Special Education Grants to States	(I)	84.027	062-170026	7/1/2016	6/30/2017	83,365	-	-	83,365	83,365	83,365
Total passed-through the School District of Philadelphia							70,995	70,995	83,365	83,365	83,365
Total U.S. Department of Education							891,256	230,669	932,846	932,846	272,259
Total Federal Financial Assistance							$ 1,208,951	$ 254,849	$ 1,287,732	$ 1,287,732	$ 333,630

Source Code Legend:
(I) Indicates indirect funding

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the School's financial statements.

NOTE 3. PROGRAM CLUSTERS

In accordance with the Uniform Guidance, certain programs have been clustered in determining major programs. The following represents the clustered programs:

Name of Cluster/Program	CFDA Number
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555

NOTE 4. INDIRECT COST RATE

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

CITRINCOOPERMAN®
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Boys Latin of Philadelphia Charter School

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 (a nonprofit organization) (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, 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 opinions 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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (continued)

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.

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*.

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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 15, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Boys Latin of Philadelphia Charter School

Report on Compliance for Each Major Federal Program

We have audited Boys Latin of Philadelphia Charter School's (a nonprofit organization) (the "School") compliance with the types of compliance requirements described in the *Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2017. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania
December 15, 2017

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on whether the financial statements of Boys Latin of Philadelphia Charter School ("Boys Latin"), Choice Holdings, LLC ("Choice Holdings") and Choice Academics, Inc. ("Choice Academics") (collectively, the "School") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program of School expresses an unqualified opinion.
6. There were no audit findings that were required to be reported under 2 CFR section 200.516(a).
7. The program tested as major program was Title I Grants to LEAs, CFDA #84.010.
8. The threshold for distinguishing Types A and B programs was $750,000.
9. The School qualifies as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings.

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

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