

**BOYS LATIN OF PHILADELPHIA
CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
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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, 2020, 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2020, 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 on pages 4 through 9, the schedule of revenues, expenditures, and changes in fund balance – budget and actual on page 41, the schedules of proportionate share of Public School Employees' Retirement System (PSERS) net pension liability and contributions on page 42, and the schedules of proportionate share of PSERS net OPEB liability and contributions on page 43 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boys Latin of Philadelphia Charter School's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2020 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 10, 2020

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

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, 2020. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- Total governmental revenues increased by \$592,127 from \$13,257,548 to \$13,849,675, primarily due to increases in local education agencies and state sources for the year ended June 30, 2020.
- At the close of the current fiscal year, the School reports ending net position of (\$4,470,135). This net position balance represents an increase in net position of \$1,915,026 for the year ended June 30, 2020.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of \$2,446,177. The governmental fund balance increased by \$416,303 from the previous year-end governmental fund balance as the result of operations for the year ended June 30, 2020.
- The School's cash balance of governmental activities at June 30, 2020 was \$3,704,466, representing an increase of \$523,582 from June 30, 2019.

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, 2020**

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, 2020**

Overview of the Financial Statements (Continued)

Government-Wide Financial Analysis

	June 30,	
	2020	2019
Current Assets	\$ 4,405,742	\$ 3,600,500
Capital Assets	10,197,235	10,209,090
Total Assets	<u>14,602,977</u>	<u>13,809,590</u>
Deferred Outflows of Resources	<u>725,500</u>	<u>929,750</u>
Current Liabilities	2,307,951	1,842,204
Noncurrent liabilities		
Notes Payable	7,419,170	7,510,830
Pension Liability	6,129,000	7,585,000
OPEB Liability	<u>279,000</u>	<u>329,000</u>
Total Liabilities	16,135,121	17,267,034
Deferred Inflows of Resources	<u>3,663,491</u>	<u>3,857,467</u>
Net Position:		
Net Investment in Capital Assets	2,654,979	2,426,682
Restricted	44,697	39,697
Unrestricted	<u>(7,169,811)</u>	<u>(8,851,540)</u>
TOTAL NET POSITION	<u><u>\$ (4,470,135)</u></u>	<u><u>\$ (6,385,161)</u></u>

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 \$4,470,135 as of June 30, 2020.

In prior years, the School was required to implement Governmental Accounting Standards Board (GASB) 68 and GASB 75. These accounting standards required the School to report its proportionate share of the net pension liability and net OPEB liability of the underfunded cost-sharing multiemployer defined benefit pension plan provided by the Commonwealth of Pennsylvania. In recording the original liabilities and deferred outflows, the net position balances were required to be restated in previous years, resulting in a year-end net position deficit. Each year, the School's proportionate share of the liabilities, deferred outflows and deferred inflows will be adjusted and included in the School's activities. The adjustments will be done in accordance with the accounting standards but will not have an effect on the ongoing cash contribution requirements of the School.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

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, 2020, the School's revenues of \$13,849,675 exceeded its expenses of \$11,934,649 by \$1,915,026.

	June 30,	
	2020	2019
Revenues:		
Local Educational Agencies	\$ 11,073,959	\$ 10,156,689
Other Local Sources	59,305	131,203
State Sources	248,133	193,179
Federal Sources	1,227,726	1,337,299
Contributions	1,240,552	1,439,178
	<u>13,849,675</u>	<u>13,257,548</u>
Total Revenues		
Expenses:		
Instruction	7,955,498	7,216,393
Support Services	2,639,946	2,880,520
Noninstructional Services	340,329	370,680
Interest Expense	253,734	261,396
Depreciation Expense	745,142	738,108
	<u>11,934,649</u>	<u>11,467,097</u>
Total Expenses		
Change in Net Position	1,915,026	1,790,451
Net Position - Beginning	<u>(6,385,161)</u>	<u>(8,175,612)</u>
NET POSITION - ENDING	<u><u>\$ (4,470,135)</u></u>	<u><u>\$ (6,385,161)</u></u>

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

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 \$1,051,626 and the total fund balance of the governmental funds was \$2,446,177.

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, 2020, the School's investment in capital assets for its governmental activities totaled \$10,197,235 (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, 2020, the School has notes payable of \$7,767,556.

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

During FY2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its FY2021 operations, revenue sources and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

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.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

Overview of the Financial Statements (Continued)

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, 2020

	Governmental Activities
ASSETS	
Cash	\$ 3,704,466
State Subsidies Receivable	133,218
Federal Subsidies Receivable	303,231
Promises to Give	70,822
Other Receivables	33,154
Prepaid Expenses	121,527
Due From Other Governments	39,324
Capital Assets, Net	10,197,235
Total Assets	<u>14,602,977</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows from Pensions	699,000
Deferred Outflows from OPEB	26,500
Total Deferred Outflows of Resources	<u>725,500</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	639,513
Salaries and Benefits Payable	1,320,052
Long-Term Obligations:	
Due Within One Year:	
Notes Payable	348,386
Due in More Than One Year:	
Notes Payable	7,419,170
Pension Liability	6,129,000
OPEB Liability	279,000
Total Liabilities	<u>16,135,121</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows from Pensions	3,463,814
Deferred Inflows from OPEB	199,677
Total Deferred Inflows	<u>3,663,491</u>
NET POSITION	
Net Investment in Capital Assets	2,654,979
Restricted for:	
Warrior Fund	44,697
Unrestricted	<u>(7,169,811)</u>
Total Net Position	<u><u>\$ (4,470,135)</u></u>

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

		Program Revenues	Net Revenue (Expense) and Changes in Net Position
	Expenses	Operating Grants and Contributions	Governmental Activities
Primary Government:			
Governmental Activities:			
Instructional Programs	\$ 4,469,927	\$ 1,026,850	\$ (3,443,077)
Special Education	2,380,395	-	(2,380,395)
Pupil Support Services	842,687	-	(842,687)
Instructional Staff Programs	262,489	-	(262,489)
Administrative Services	2,046,161	-	(2,046,161)
Pupil Health	85,552	13,980	(71,572)
Business Services	24,259	-	(24,259)
Operation and Maintenance of Plant	202,680	129,338	(73,342)
Student Activities	211,020	-	(211,020)
Other Support Services	70,274	-	(70,274)
Food Services	340,329	305,691	(34,638)
Interest Expense	253,734	-	(253,734)
Depreciation Expense	745,142	-	(745,142)
Total	<u>\$ 11,934,649</u>	<u>\$ 1,475,859</u>	(10,458,790)
General Revenues:			
Local Educational Agencies			11,073,959
All Other Revenue			1,299,857
Total General Revenues			<u>12,373,816</u>
Change in Net Position			1,915,026
Net Position - Beginning of Year			<u>(6,385,161)</u>
Net Position - End of Year			<u>\$ (4,470,135)</u>

See accompanying Notes to Financial Statements.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$ 2,547,622	\$ 1,156,844	\$ 3,704,466
State Subsidies Receivable	133,218	-	133,218
Federal Subsidies Receivable	303,231	-	303,231
Promises to Give	70,822	-	70,822
Other Receivables	33,154	-	33,154
Prepaid Expenses	121,527	-	121,527
Due from Other Funds	1,164,045	-	1,164,045
Due from Other Governments	39,324	-	39,324
	<u>4,412,943</u>	<u>1,156,844</u>	<u>5,569,787</u>
Total Assets	<u>\$ 4,412,943</u>	<u>\$ 1,156,844</u>	<u>\$ 5,569,787</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 625,041	\$ -	\$ 625,041
Salaries and Benefits Payable	1,320,052	14,472	1,334,524
Due to Other Funds	-	1,164,045	1,164,045
Total Liabilities	1,945,093	1,178,517	3,123,610
FUND BALANCES			
Nonspendable	121,527	-	121,527
Restricted	44,697	-	44,697
Committed to:			
Future Capital Projects	600,000	-	600,000
Future Operating Costs	650,000	-	650,000
Unassigned	1,051,626	(21,673)	1,029,953
Total Fund Balances	<u>2,467,850</u>	<u>(21,673)</u>	<u>2,446,177</u>
Total Liabilities and Fund Balances	<u>\$ 4,412,943</u>	<u>\$ 1,156,844</u>	<u>\$ 5,569,787</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, 2020**

Total Fund Balances for Governmental Funds	\$	2,446,177
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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		(7,767,556)
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Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets, Net		10,197,235
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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.

Pension	\$ (8,893,814)		
OPEB	(452,177)		(9,345,991)

Total Net Position of Governmental Activities	\$	(4,470,135)
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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, 2020**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Local Educational Agencies	\$ 11,073,959	\$ -	\$ 11,073,959
Other Local Sources	1,036,531	1,933,128	2,969,659
State Sources	248,133	-	248,133
Federal Sources	1,227,726	-	1,227,726
Total Revenues	<u>13,586,349</u>	<u>1,933,128</u>	<u>15,519,477</u>
EXPENDITURES			
Instruction	8,346,047	-	8,346,047
Support Services	842,687	2,024,376	2,867,063
Noninstructional Services	3,256,280	-	3,256,280
Capital Outlays	365,197	-	365,197
Debt Service			
Principal	190,128	45,734	235,862
Interest	204,455	53,570	258,025
Total Expenditures	<u>13,204,794</u>	<u>2,123,680</u>	<u>15,328,474</u>
Excess of Revenues Over (Under) Expenditures	381,555	(190,552)	191,003
OTHER FINANCING SOURCES (USES)			
Proceeds from Loans	<u>-</u>	<u>225,300</u>	<u>225,300</u>
NET CHANGE IN FUND BALANCE	381,555	34,748	416,303
Fund Balance (Deficit) - Beginning of Year	<u>2,086,295</u>	<u>(56,421)</u>	<u>2,029,874</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ 2,467,850</u></u>	<u><u>\$ (21,673)</u></u>	<u><u>\$ 2,446,177</u></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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 416,303

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	\$ 235,862	
Proceeds from Loan Payables	(225,300)	
Financing Cost Expenses	<u>4,290</u>	14,852

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	733,287	
Depreciation Expense	<u>(745,142)</u>	(11,855)

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	1,457,725	
Change in OPEB Expense	<u>38,001</u>	<u>1,495,726</u>

Change in Net Position of Governmental Activities	\$	<u><u>1,915,026</u></u>
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See accompanying Notes to Financial Statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 has been working with The School District of Philadelphia to renew the charter. The net position of the School would remain with the School if their charter was not renewed. The School is located in Philadelphia, Pennsylvania. During the 2019-2020 school year, the School served students in grades 6 through 12.

The School has financial accountability and responsibility 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, 2020.

Boys Latin Foundation (Foundation) (formally Choice Academics) is a legally separate, nonprofit component unit of the School. The Foundation's purpose is to support the operations of the 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, 2020

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 unit, without displaying funds. 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, 2020.

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, 2020

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, 2020

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: no spendable, 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, 2020

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 2019 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 approved by the board of trustees during the fiscal year. The budget is presented as required supplementary information. During the year ended June 30, 2020, 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 accounting principles generally accepted in the United States of America 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, 2020 was \$-0-.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$725 for the year ended June 30, 2020.

Income Tax Status

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

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, 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.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees, and communities. Specific to the School, COVID-19 may impact its fiscal year 2021 operations and financial results including local and state share revenue, state and federal grants, and other local sources. Management believes the School is taking appropriate actions to mitigate any negative impact; however, the full impact of COVID-19 is unknown and not reasonably estimated as of June 30, 2020.

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) 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 multiemployer 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, 2020

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, 2020

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, 2020 was 33.43% 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 \$606,000 for the year ended June 30, 2020.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)

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 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 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 24½ 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, 2019, 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, 2020 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 \$15,000 for the year ended June 30, 2020.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 elected for some of its accounts to be covered under this act.

As of June 30, 2020, \$974,139 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 974,139
Collateralized	2,073,302
Insured Amount	758,845
Less: Outstanding Checks	<u>(101,820)</u>
Total	<u><u>\$ 3,704,466</u></u>

NOTE 4 PROMISES TO GIVE

Pledged contributions receivable of \$70,822 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>
2021	\$ 43,333
2022	10,000
2023	10,000
2024	<u>10,000</u>
Total	73,333
Unamortized Discount	<u>(2,511)</u>
Total Promises to Give	<u><u>\$ 70,822</u></u>

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, 2020, the rate was \$10,128 per year per student for the majority of the students, plus additional funding for special education students. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$11,073,959 for the year ended June 30, 2020.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciated:					
Land - Component Unit	\$ 1,375,702	\$ -	\$ -	\$ -	\$ 1,375,702
Construction in Progress - Component Unit	151,532	368,090	-	(519,622)	-
Total Capital Assets, Not Being Depreciated	1,527,234	368,090	-	(519,622)	1,375,702
Capital Assets, Being Depreciated:					
Buildings and Improvements	9,719,955	161,116	-	-	9,881,071
Building - Component Unit	2,689,258	-	-	519,622	3,208,880
Equipment	2,518,197	204,081	-	-	2,722,278
Less Accumulated Depreciation	(6,245,554)	(745,142)	-	-	(6,990,696)
Total Capital Assets, Being Depreciated	8,681,856	(379,945)	-	519,622	8,821,533
Capital Assets, Net	<u>\$ 10,209,090</u>	<u>\$ (11,855)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,197,235</u>

Depreciation expense for the year ended June 30, 2020, was \$745,142. The School's capital assets are shared by multiple governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

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

At June 30, 2020, the School reported a liability of \$6,129,000 for its proportionate share of net pension liability for the PSERS plan. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the School's proportion was .0131%, which was a decrease of .0027% from its proportion measured as of June 30, 2019.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

For the year ended June 30, 2020, the School recognized a pension credit of \$(848,000). At June 30, 2020, 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	\$ 34,000	\$ (203,000)
Changes in Assumptions	59,000	-
Net Difference Between Projected and Actual		
Investment Earnings	-	(18,000)
Changes in Proportions	-	(3,184,000)
Difference between Employer Contributions and		
Proportionate Share of Total Contributions	-	(58,814)
Contributions Subsequent to the Measurement Date	606,000	-
Total	<u>\$ 699,000</u>	<u>\$ (3,463,814)</u>

The amount of \$606,000 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, 2021. 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>
2021	\$ (1,414,791)
2022	(1,652,466)
2023	(297,641)
2024	(5,916)
Total	<u>\$ (3,370,814)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 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%, including inflation at 2.75%.
- 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.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

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 %	5.6 %
Fixed Income	36.0	1.9
Commodities	8.0	2.7
Absolute Return	10.0	3.4
Risk Parity	10.0	4.1
Infrastructure/MLPs	8.0	5.5
Real Estate	10.0	4.1
Alternative Investments	15.0	7.4
Cash	3.0	0.3
Financing (LIBOR)	(20.0)	0.7
Total	<u>100.0 %</u>	

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, 2019.

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.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 PENSION LIABILITIES, PENSION EXPENSE, 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%)
Proportionate Share of Net Pension Liability	<u>\$ 7,634,000</u>	<u>\$ 6,129,000</u>	<u>\$ 4,854,000</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, 2020, the School reported a liability of \$279,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's actuarially determined total OPEB liability as of June 30, 2018 to June 30, 2019. The employer's proportion of the net OPEB 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, 2020, the School's proportion was .0131%, which was a decrease of .0027% from its proportion measured as of June 30, 2019.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, the School recognized OPEB credit of \$(23,000). At June 30, 2020, 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>
Difference Between Expected and Actual Experience	\$ 2,000	\$ -
Net Difference Between Projected and Actual Investment Earnings	500	-
Changes in Proportion	-	(189,000)
Difference Between Employer Contributions and Proportionate Share of Total Contributions	-	(2,677)
Changes in Assumptions	9,000	(8,000)
Contributions Subsequent to the Measurement Date	15,000	-
Total	<u>\$ 26,500</u>	<u>\$ (199,677)</u>

\$15,000 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, 2021. 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>
2021	\$ (30,830)
2022	(30,830)
2023	(31,080)
2024	(29,080)
2025	(25,680)
2026	(40,677)
Total	<u>\$ (188,177)</u>

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2019, was determined by rolling forward the PSERS total OPEB liability as of the June 30, 2018 actuarial valuation, to June 30, 2019, 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 – 2.79% - 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.
- 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, 2016, determined the employer contribution rate for fiscal year 2019.
- 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 three for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

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, 2020

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 (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, 2019.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2 %	0.2 %
US Core Fixed Income	83.1	1.0
Non-US Developed Fixed	3.7	-
	100.0 %	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79% at June 30, 2019. 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 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, 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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year and 780 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, 2020

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, 2019, calculated using Healthcare Cost Trends as well as what the System net OPEB liability would be if the Healthcare Cost Trends were one percentage point lower or one 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 6.5%)	Health Care Cost Trend Rates (between 5% and 7.5%)	1% Increase (between 6% and 8.5%)
\$ 279,000	\$ 279,000	\$ 279,000

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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.79%) or one percentage point higher (3.79%) than the current rate (2.79%).

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Discount Rate		
1% Decrease 1.79%	Current Rate 2.79%	1% Increase 3.7900%
\$ 317,000	\$ 279,000	\$ 246,000

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, 2020

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2020:

<u>Description</u>	<u>Amount</u>
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 fund Boys Latin's improvements to the building. 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.	\$ 4,075,677
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 July 1, 2023.	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 July 1, 2023.	1,530,000
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 is due on July 27, 2025.	1,145,707
PPP Loan - On April 20, 2020, the Foundation received loan proceeds in the amount of \$225,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expense of the qualifying business. The loan is forgivable if the borrower uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities, and maintains its payroll levels. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over the twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is after the covered period, then payment of principal and interest shall begin remitted to the lender or, if the Foundation fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum.	225,300
Total	7,751,684
Less: Current Maturities	(348,386)
Long-Term Debt, Net	<u>\$ 7,403,298</u>

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

Following are changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Loan 1	\$ 4,265,805	\$ -	\$ (190,128)	\$ 4,075,677	\$ 200,227
Loan 2	775,000	-	-	775,000	-
Loan 3	1,530,000	-	-	1,530,000	-
Loan 4	1,191,441	-	(45,734)	1,145,707	48,026
PPP Loan	-	225,300	-	225,300	100,133
Total Debt	7,762,246	225,300	(235,862)	7,751,684	348,386
Accrued Interest Expense	20,162	-	(4,290)	15,872	-
Total	<u>\$ 7,782,408</u>	<u>\$ 225,300</u>	<u>\$ (240,152)</u>	<u>\$ 7,767,556</u>	<u>\$ 348,386</u>

Interest expense on long-term debt was \$253,734 for the year ended June 30, 2020.

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, 2020.

At June 30, 2020, 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>
2021	\$ 348,386	\$ 277,374	\$ 625,760
2022	385,474	230,319	615,793
2023	2,577,945	217,681	2,795,626
2024	285,640	204,986	490,626
2025	300,069	190,558	490,627
2026 to 2030	2,284,587	560,993	2,845,580
2031 to 2035	1,569,583	177,204	1,746,787
Total	<u>\$ 7,751,684</u>	<u>\$ 1,859,115</u>	<u>\$ 9,610,799</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, 2020

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 10, 2020, 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 and Foundation maintain savings incentive 403(b) plans 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. The Foundation makes a contribution for certain employees enrolled in the plan at a rate of 7.55% of eligible compensation as defined in the plan agreement. Total contribution expense for the plan amounted to \$263,812 for the year ended June 30, 2020.

NOTE 14 NEWLY ADOPTED STATEMENTS ISSUED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2019. 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 School is required to adopt Statement No. 84 for its fiscal year 2021 and is assessing if the standard will have any impact on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. 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 School is required to adopt Statement No. 87 for its fiscal year 2022 and is assessing if the standard 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, 2020. 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 required to adopt Statement No. 89 for its fiscal year 2022 and is assessing if the standard will have any impact on its financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2019. 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 required to adopt Statement No. 90 for its fiscal year 2021 and is assessing if the standard will have any impact on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The School is required to adopt Statement No. 91 for its fiscal year 2023 and is assessing if the standard will have any impact on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The School is required to adopt Statement No. 92 for its fiscal year 2022 and is assessing if the standard will have any impact on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The School is required to adopt Statement No. 93 for its fiscal year 2022 and is assessing if the standard will have any impact on its financial statements.

BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, which is effective for fiscal years beginning after June 15, 2022. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The School is required to adopt Statement No. 94 for its fiscal year 2023 and is assessing if the standard will have any impact on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements. The School is required to adopt Statement No. 96 for its fiscal year 2023 and assessing if the standard will have any impact on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6-9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The School is required to adopt Statement No. 97 for its fiscal year 2022 and assessing if the standard 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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Educational Agencies	\$ 10,268,616	\$ 10,600,717	\$ 11,073,959	\$ 473,242
Other Local Sources	1,169,735	1,054,079	1,036,531	(17,548)
State Sources	165,900	165,900	248,133	82,233
Federal Sources	1,232,237	1,494,394	1,227,726	(266,668)
Total Revenues	12,836,488	13,315,090	13,586,349	271,259
EXPENDITURES				
Instruction	7,961,894	7,786,828	8,346,047	(559,219)
Support Services	768,696	809,785	842,687	(32,902)
Noninstructional Services	3,568,870	4,071,070	3,256,280	814,790
Capital Outlays	-	157,852	365,197	(207,345)
Debt Service	391,321	391,321	394,583	(3,262)
Total Expenditures	12,690,781	13,216,856	13,204,794	12,062
NET CHANGE IN FUND BALANCE	<u>\$ 145,707</u>	<u>\$ 98,234</u>	381,555	<u>\$ 283,321</u>
Fund Balance - Beginning of Year			2,086,295	
FUND BALANCE- END OF YEAR			<u>\$ 2,467,850</u>	

*The School adopts an annual budget on the budgetary basis, which is consistent with accounting principles generally accepted in the United States of America 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%
2018/19	0.0158%	\$ 7,585	\$ 2,134	355.44%	55.66%
2019/20	0.0131%	\$ 6,129	\$ 1,840	333.10%	55.66%

PSERS Schedule of Contributions (Unaudited)
(In Thousands)

Fiscal Year	<i>Calculated</i>	<i>Input</i>	<i>Input</i>	<i>Calculated</i>	<i>Input</i>	<i>Calculated</i>
		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	\$ -	\$ 2,134	34.96%
2018/19	\$	595	\$ 595	\$ -	\$ 1,840	32.34%
2019/20	\$	606	\$ 606	\$ -	\$ 1,794	33.78%

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%	\$ 485	\$ 3,165	15.32%	5.73%
2018/19	0.0158%	\$ 329	\$ 2,134	15.42%	5.56%
2019/20	0.0131%	\$ 279	\$ 1,840	15.16%	5.56%

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	\$ -	\$ 2,134	0.94%
2018/19	\$ 15	\$ 15	\$ -	\$ 1,840	0.82%
2019/20	\$ 15	\$ 15	\$ -	\$ 1,794	0.84%

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, 2020, 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 10, 2020.

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.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 10, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited Boys Latin of Philadelphia Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Boys Latin of Philadelphia Charter School's major federal programs for the year ended June 30, 2020. Boys Latin of Philadelphia Charter School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Boys Latin of Philadelphia Charter 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* (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 Boys Latin of Philadelphia Charter 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 audit opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Boys Latin of Philadelphia Charter School's compliance.

Opinion on the Major Federal Program

In our opinion, Boys Latin of Philadelphia Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Boys Latin of Philadelphia Charter 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 Boys Latin of Philadelphia Charter 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 the major federal program and to test and report on internal control over compliance in accordance with 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 Boys Latin of Philadelphia Charter 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 a 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 result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 10, 2020

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period		Program or Award Amount	Total Received for the Year	Accrued Revenue at July 1, 2019	Revenue Recognized	Expenditures	Accrued Revenue at June 30, 2020
				Beginning Date	Ending Date						
U.S. Department of Agriculture											
Pass-Through Pennsylvania Department of Education:											
National School Lunch Program	(I)	10.555	362	7/1/2019	6/30/2020	\$ 227,723	\$ 220,723	\$ -	\$ 227,723	\$ 227,723	\$ 7,000
School Breakfast Program	(I)	10.553	365	7/1/2019	6/30/2020	64,085	59,685	-	64,085	64,085	4,400
Total Child Nutrition Cluster						291,808	280,408	-	291,808	291,808	11,400
Total U.S. Department of Agriculture						291,808	280,408	-	291,808	291,808	11,400
U.S. Department of Education											
Pass-Through Pennsylvania Department of Education:											
Title I Grants to LEAs	(I)	84.010	013-191065	7/18/2018	9/30/2019	708,364	91,321	91,321	-	-	-
Title I Grants to LEAs	(I)	84.010	013-201065	7/3/2019	9/30/2020	694,984	556,024	-	694,984	694,984	138,960
Program Improvement - Set Aside	(I)	84.010	042-181065	11/13/2018	9/30/2019	77,665	28,242	28,242	-	-	-
Sub-Total CFDA 84.010						1,481,013	675,587	119,563	694,984	694,984	138,960
Improving Teacher Quality State Grants	(I)	84.367	020-191065	7/18/2018	9/30/2019	58,974	7,605	7,605	-	-	-
Improving Teacher Quality State Grants	(I)	84.367	020-201065	7/3/2019	9/30/2020	53,350	38,580	-	53,350	53,350	14,770
Student Support and Academic Enrichment	(I)	84.424	144-191065	7/18/2018	9/30/2019	50,305	6,707	6,707	-	-	-
Student Support and Academic Enrichment	(I)	84.424	144-201065	7/3/2019	9/30/2020	53,017	49,483	-	53,017	53,017	3,534
Total Pass-Through Pennsylvania Department of Education						1,696,659	777,962	133,875	801,351	801,351	157,264
Pass-Through School District of Philadelphia:											
Special Education Grants to States	(I)	84.027	Not Applicable	7/1/2018	6/30/2019	115,657	14,028	14,028	-	-	-
Special Education Grants to States	(I)	84.027	Not Applicable	7/1/2019	6/30/2020	134,567	-	-	134,567	134,567	134,567
Total Pass-Through School District of Philadelphia						250,224	14,028	14,028	134,567	134,567	134,567
Total U.S. Department of Education						1,946,883	791,990	147,903	935,918	935,918	291,831
Total Federal Expenditures						\$ 2,238,691	\$ 1,072,398	\$ 147,903	\$ 1,227,726	\$ 1,227,726	\$ 303,231

Source Code Legend:

(I) Indicates indirect funding

Note: There were no awards passed through to subrecipients

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of Boys Latin of Philadelphia Charter School (the School). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. 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*.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of activities and statement of revenue, expenditures, and changes in fund balance-governmental funds.

NOTE 4 INDIRECT COST RATE

Boys Latin of Philadelphia Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported
3. Noncompliance material to financial statements noted? _____yes X no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____yes X no

Identification of Major Federal Programs

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I Grant to LEAs, Program Improvement – Set Aside

Dollar threshold used to distinguish between Type A or Type B programs was:

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____no

**BOYS LATIN OF PHILADELPHIA CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the Federal Single Audit Act.

Section IV – Prior Audit Findings

There were no prior year findings required to be reported under the Federal Single Audit Act.

