

Boys Latin of Philadelphia Charter School

**Financial Statements And
Supplementary Information**

Year Ended June 30, 2022

Boys Latin of Philadelphia Charter School
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Year Ended June 30, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School (the School), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Boys Latin of Philadelphia Charter School, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys Latin of Philadelphia Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, during the year ended June 30, 2022, the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, governmental fund budgetary comparison schedule, schedule of the School's proportionate share of the net pension liability and contributions and schedule of the School's proportionate share of the net OPEB liability and contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boys Latin of Philadelphia Charter School's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, 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 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 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.

SD Associates P.C.

Certified Public Accountants
Elkins Park, Pennsylvania

December 9, 2022

Boys Latin of Philadelphia Charter School Management's Discussion and Analysis June 30, 2022

The Board of Trustees of Boys Latin of Philadelphia Charter School (Boys Latin), Choice Holdings, LLC (Choice Holdings) and Boys Latin Foundation (Foundation) (collectively, the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total revenues increased approximately \$2,415,000 primarily due to an increase in federal sources for the year ended June 30, 2022.
- At the close of the current fiscal year, the School reports ending net position of \$4,734,424. This net position balance represents an increase in the net position of \$5,582,510 for the year ended June 30, 2022.
- At the close of the current fiscal year, the School reports an ending governmental fund balance of \$6,593,215. This balance was the result of a \$2,716,505 surplus for the year ended June 30, 2022.
- The School's cash balance at June 30, 2022 was \$6,603,827, representing an increase of \$1,297,233 from June 30, 2021.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, the required supplementary information, and 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) 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 fiscal 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.

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.

Boys Latin of Philadelphia Charter School Management's Discussion and Analysis June 30, 2022

Overview of the Financial Statements (Continued)

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

Single Audit Requirements

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

Government-Wide Financial Analysis

| | June 30, | |
|---|--------------|--------------|
| | 2022 | 2021 |
| Assets | | |
| Current assets | \$ 8,330,549 | \$ 6,068,172 |
| Noncurrent assets | 11,210,707 | 10,484,214 |
| | 19,541,256 | 16,552,386 |
| Deferred Outflows of Resources | 735,100 | 820,461 |

**Boys Latin of Philadelphia Charter School
Management's Discussion and Analysis
June 30, 2022**

Government-Wide Financial Analysis (Continued)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | 2,052,321 | 2,470,729 |
| Noncurrent liabilities | 6,789,045 | 7,010,655 |
| Net pension liability | 4,311,000 | 6,303,000 |
| Net OPEB liability | 249,000 | 277,000 |
| | <u>13,401,366</u> | <u>16,061,384</u> |
| Deferred Inflows of Resources | <u>2,137,566</u> | <u>2,156,549</u> |
| Net Position | <u>\$ 4,737,424</u> | <u>\$ (845,086)</u> |

As noted earlier, net assets may serve over time as a useful indicator of a school's financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,734,424 as of June 30, 2022.

The School's revenues are predominately received from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2022, the School's total revenues of \$17,814,583 exceeded expenditures of \$12,232,073 by \$5,582,510.

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|-------------------------|-------------------------|
| Revenues | | |
| Local educational agency assistance | \$ 11,922,391 | \$ 12,151,487 |
| Federal sources | 4,351,375 | 1,542,524 |
| State sources | 225,550 | 208,104 |
| Other revenues | 6,443 | 290,330 |
| Contributions | 1,308,824 | 1,206,879 |
| Total revenues | <u>17,814,583</u> | <u>15,399,324</u> |
| Expenditures | | |
| Instruction | 6,162,304 | 6,789,397 |
| Support services | 4,286,136 | 3,722,310 |
| Noninstructional services | 748,710 | 317,874 |
| Depreciation and amortization | 809,168 | 711,818 |
| Interest expense | 225,755 | 232,876 |
| Total expenditures | <u>12,232,073</u> | <u>11,774,275</u> |
| Change in net position | 5,582,510 | 3,625,049 |
| Net position, beginning | <u>(845,086)</u> | <u>(4,470,135)</u> |
| Net position, ending | <u>\$ 4,737,424</u> | <u>\$ (845,086)</u> |

Boys Latin of Philadelphia Charter School Management's Discussion and Analysis June 30, 2022

Governmental Fund

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, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal 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 \$3,386,736 and the total fund balance of the governmental funds was \$6,593,215.

Budget Variations

Actual revenues were \$588,903 lower than the budget due to increases (decreases) as follows:

| | |
|-------------------------------------|---------------------|
| Local educational agency assistance | \$ (135,362) |
| Federal sources | (123,337) |
| State sources | 23,296 |
| Other sources | (353,500) |
| | <u>\$ (588,903)</u> |

Actual expenditures were \$2,611,490 lower than the budget due to increases (decreases) as follows:

| | |
|-------------------------|-----------------------|
| Instruction | \$ (486,805) |
| Support services | (1,377,972) |
| Noninstruction services | (48,091) |
| Capital outlay | (726,356) |
| Debt service | 27,734 |
| | <u>\$ (2,611,490)</u> |

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the School's investment in capital assets for its governmental activities totaled \$11,135,033 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, and equipment for the School.

Major capital assets purchases during the year included the following:

Capital expenditures of \$186,817 for equipment and furniture
Capital expenditures of \$1,248,628 for land and building improvements

Additional information on the School's capital assets can be found in Note 6 of this report.

Boys Latin of Philadelphia Charter School Management's Discussion and Analysis June 30, 2022

Capital Asset and Debt Administration (Continued)

Right to Use Leased Assets

During the year ended June 30, 2022, the School adopted new accounting guidance, GASB Statement No. 87, *Leases*. As of June 30, 2022, the School's right to use leased assets totaled \$75,674 (net of accumulated amortization). Additional information on the School's right to use leased assets can be found in Note 10 of this report.

Long-Term Debt

As of June 30, 2022, the School has notes payable of \$7,026,142. The School's lease liabilities were \$77,890 at June 30, 2022 (see Note 10).

Economic Factors and Next Year's Budgets and Rates

The fiscal and operational stability of our Commonwealth's charter schools are directly linked to the State of Pennsylvania's Budget and shifting political realities. This issue manifests itself most clearly in the way that the State determines each charter school's per pupil allotment which is calculated by student's school district of residence and form PDE-363. The PDE 363 uses a "state-determined" formula to calculate per pupil allotments.

The School's primary source of revenues, tuition payments from the School District of Philadelphia, is budgeted to decrease approximately \$800,000 for the 2022-2023 school year. The primary driver of this decrease is the aforementioned PDE-363 formula that allows school districts to remove their federal expenses from the per-pupil calculation. The student population is projected to be flat at 751.

Future Events That Will Financially Impact the School

Except as listed above, there are no known future events that will financially impact the School.

Component Units

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

Contacting the School's Financial Management

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

Boys Latin of Philadelphia Charter School
Statement of Net Position
June 30, 2022

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 6,603,827 |
| Due from other governments | 5,453 |
| Federal subsidies receivable | 1,385,576 |
| State subsidies receivable | 151,449 |
| Promises to give | 70,184 |
| Prepaid expenses | 114,060 |
| Property and equipment, net | 11,135,033 |
| Right to use leased asset, net | 75,674 |
| Total assets | 19,541,256 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources | 735,100 |
| Liabilities | |
| Accounts payable and accrued expenses | 640,629 |
| Salaries and benefits payable | 1,095,547 |
| Deferred revenue | 1,158 |
| Long-term debt - due within one year | |
| Note payable | 291,282 |
| Lease liability | 23,705 |
| Long-term debt - due after one year | |
| Note payable | 6,734,860 |
| Lease liability | 54,185 |
| Net pension liability | 4,311,000 |
| Net OPEB liability | 249,000 |
| Total liabilities | 13,401,366 |
| Deferred Inflows of Resources | |
| Deferred inflows of resources | 2,137,566 |
| Net Position | |
| Unrestricted | 630,749 |
| Invested in capital assets, net of related debt | 4,106,675 |
| | \$ 4,737,424 |

Boys Latin of Philadelphia Charter School
Statement of Activities
Year Ended June 30, 2022

| Functions | Expenses | Program Revenues Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--------------------------------|----------------------|--|--|
| Governmental Activities | | | |
| Instruction | \$ 6,162,304 | \$ 3,752,212 | \$ (2,410,092) |
| Support services | 4,286,136 | 192,065 | (4,094,071) |
| Noninstructional services | 748,710 | 632,648 | (116,062) |
| Depreciation and amortization | 809,168 | - | (809,168) |
| Interest expense | 225,755 | - | (225,755) |
| Total governmental activities | <u>\$ 12,232,073</u> | <u>\$ 4,576,925</u> | (7,655,148) |
| General Revenues | | | |
| | | | 11,922,391 |
| Local educational agencies | | | 1,308,824 |
| Contributions | | | 6,443 |
| Other income | | | <u>6,443</u> |
| | | | 5,582,510 |
| | | | Change in net position |
| | | | (845,086) |
| | | | Net Position - Beginning of Year |
| | | | <u>\$ 4,737,424</u> |
| | | | Net Position - End of Year |

**Boys Latin of Philadelphia Charter School
Balance Sheet-Governmental Funds
June 30, 2022**

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,939,356 | \$ 664,471 | \$ 6,603,827 |
| Due from other governments | 5,453 | - | 5,453 |
| Federal subsidies receivable | 1,385,576 | - | 1,385,576 |
| State subsidies receivable | 151,449 | - | 151,449 |
| Promises to give | 36,684 | 33,500 | 70,184 |
| Prepaid expenses | 114,060 | - | 114,060 |
| Due from other funds | 1,087,929 | - | 1,087,929 |
| Total assets | \$ 8,720,507 | \$ 697,971 | \$ 9,418,478 |
| Liabilities | | | |
| Accounts payable and accrued expenses | \$ 639,967 | \$ 662 | \$ 640,629 |
| Salaries and benefits payable | 1,091,537 | 4,010 | 1,095,547 |
| Deferred revenue | 1,158 | - | 1,158 |
| Due to other funds | - | 1,087,929 | 1,087,929 |
| Total liabilities | 1,732,662 | 1,092,601 | 2,825,263 |
| Fund Balance (Deficit) | | | |
| Nonspendable | 114,060 | - | 114,060 |
| Committed | 4,650,000 | - | 4,650,000 |
| Unassigned | 2,223,785 | (394,630) | 1,829,155 |
| Total fund balance (deficit) | 6,987,845 | (394,630) | 6,593,215 |
| Total liabilities and fund balance | \$ 8,720,507 | \$ 697,971 | \$ 9,418,478 |

**Boys Latin of Philadelphia Charter School
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022**

Total Fund Balance for Governmental Funds \$ 6,593,215

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets, net 11,135,033

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Right to use assets, net 75,674

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. Balances at year end are:

Notes payable (7,026,142)
Lease liability (77,890)

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. Balances at year end are:

Pension (5,589,485)
OPEB (372,981)

Total Net Position of Governmental Activities \$ 4,737,424

Boys Latin of Philadelphia Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds
Year Ended June 30, 2022

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------------|
| Revenues | | | |
| Local education agency assistance | \$ 11,922,391 | \$ - | \$ 11,922,391 |
| Federal sources | 4,351,375 | - | 4,351,375 |
| State sources | 225,550 | - | 225,550 |
| Other sources | 1,007,001 | 1,494,627 | 2,501,628 |
| Total revenues | 17,506,317 | 1,494,627 | 19,000,944 |
| Expenditures | | | |
| Instruction | 8,329,890 | - | 8,329,890 |
| Support services | 4,189,914 | 1,168,836 | 5,358,750 |
| Noninstructional services | 748,710 | - | 748,710 |
| Capital outlay | 1,435,444 | - | 1,435,444 |
| Debt service | 419,055 | 92,807 | 511,862 |
| Total expenditures | 15,123,013 | 1,261,643 | 16,384,656 |
| Excess of Revenues Over Expenditures | 2,383,304 | 232,984 | 2,616,288 |
| Other Financing Sources | | | |
| Lease liability issued | 100,217 | - | 100,217 |
| Net Change in Fund Balance | 2,483,521 | 232,984 | 2,716,505 |
| Fund Balance (Deficit) - Beginning of Year | 4,504,324 | (627,614) | 3,876,710 |
| Fund Balance (Deficit) - End of Year | \$ 6,987,845 | \$ (394,630) | \$ 6,593,215 |

**Boys Latin of Philadelphia Charter School
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 2,716,505

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays exceeds depreciation in the current period.

| | | |
|---------------------------------------|------------------|---------|
| Capital outlays | 1,435,444 | |
| Depreciation and amortization expense | <u>(784,625)</u> | 650,819 |
| | | |
| Right to use leased asset | 100,217 | |
| Amortization expense | <u>(24,543)</u> | 75,674 |

The governmental funds report note proceeds as financing sources, while repayment of mortgage 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 mortgage payable is as follows:

| | | |
|--------------------------------------|--|-----------|
| Lease liability issued | | (100,217) |
| Principal payments on long-term debt | | 286,107 |

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:

| | | |
|---------------------------|--|---------------|
| Change in pension expense | | 1,910,957 |
| Change in OPEB expense | | <u>42,665</u> |

Change in Net Position of Governmental Activities \$ 5,582,510

Boys Latin of Philadelphia Charter School

Notes to Financial Statements

June 30, 2022

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 in accordance with Pennsylvania Act 22 of 1997 (the Act) and is operating under a charter school contract through June 30, 2027. The School is located in Philadelphia, Pennsylvania. During the 2021-2022 school year, the School served students in grades 6 through 12.

The School has financial accountability and control over all activities related to the students' education. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The reporting entity of the School is based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statements No. 14, 39, and 61. 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, 2022.

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.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide and Fund Financial Statements

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

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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, 2022.

The School reports the following major governmental funds:

- General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School.
- Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition and construction of capital facilities.

Amounts reported as program revenues include a per-student subsidy from local school districts as well as federal and state grants. Internally dedicated resources are reported as general revenues rather than as program revenues.

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 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 net position.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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 revenues.

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, they are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Net Position

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

- Invested in capital assets, net of related debt – 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 related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position typically includes unrestricted liquid assets.

Fund Balance Classification Policies and Procedures

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

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The School classified prepaid expenses as being nonspendable as these items are not expected to be converted to cash.
- Restricted - included amounts restricted by external sources, such as creditors or grantors, or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. As of June 30, 2022, \$2,000,000 was committed for future capital projects and \$2,650,000 was committed to offset anticipated future district rate reductions as a result of COVID-19.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Fund Balance Classification Policies and Procedures (Continued)

- Assigned - includes amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.
- Unassigned - includes all amounts that are not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment 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 General Fund.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget; therefore, the original budget filed and accepted by the Pennsylvania Department of Education is the final budget as well.

Use of Estimates

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

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. There was a \$4,691 allowance for uncollectible accounts as of June 30, 2022.

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%.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

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 buildings, 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.

Lease Assets

Lease assets are valued at the future minimum lease payment. Amortization is based on the lease terms (4 years for equipment).

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. The School adopted the provisions of ASC 740-10, Accounting for Uncertainty in Income Taxes. Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The School files a Return of Organizations Exempt from Income Tax annually. The School's returns for 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Advertising Costs

All costs associated with advertising and promotions are recorded as expenditures in the year incurred.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten 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 (ten 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, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members is presented below:

| Member Contribution Rates | | | | |
|---------------------------|-----------------------------|---|----------------------|-------------------------|
| Membership Class | Continuous Employment Share | Defined Benefit (DB) Contribution Rate | DC Contribution Rate | Total Contribution Rate |
| T-C | Prior to July 22, 1983 | 5.25% | N/A | 5.25% |
| | | | | 6.25% |
| T-C | On or after July 22, 1983 | 6.25% | N/A | 6.25% |
| T-D | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| T-D | On or after July 22, 1983 | 7.50% | N/A | 7.50% |
| T-E | On or after July 1, 2011 | 7.50% base rate with shared risk provision | N/A | 7.50% |
| T-F | On or after July 1, 2011 | 10.30% base rate with shared risk provision | N/A | 10.30% |
| T-G | On or after July 1, 2019 | 5.50% base rate with shared risk provision | 2.75% | 8.25% |
| T-H | On or after July 1, 2019 | 4.50% base rate with shared risk provision | 3.00% | 7.50% |
| DC | On or after July 1, 2019 | N/A | 7.50% | 7.50% |

| Shared Risk Program Summary | | | | |
|-----------------------------|--------------------------------|-----------------------|---------|---------|
| Membership Class | Defined Benefit (DB) Base Rate | Shared Risk Increment | Minimum | Maximum |
| T-E | 7.50% | +/- 0.50% | 5.50% | 9.50% |
| T-F | 10.30% | +/- 0.50% | 8.30% | 12.30% |
| T-G | 5.50% | +/- 0.75% | 2.50% | 8.50% |
| T-H | 4.50% | +/- 0.75% | 1.50% | 7.50% |

Employer Contributions:

The School's contractually required contribution rate for fiscal year ended June 30, 2022 was 33.99% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$467,590 for the year ended June 30, 2022.

Other Postemployment Benefits

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

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (Continued)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24.5 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 of the HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.gov.

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 the PSERS' Health Options Program. As of June 30, 2021 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, 2022 was 0.80% 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 \$11,005 for the year ended June 30, 2022.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

Leases

In June 2017, the GASB issued GASB Statement No. 87, "Leases" ("GASB 87"). The primary objective of the Statement is to enhance the relevance and consistency of information about government's leasing activities by requiring lessees to recognize certain lease assets and lease liabilities on the balance sheet that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also requires disclosures related to the timing, significance, and purpose of a government's leasing arrangements. Under the 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. The standard is effective for fiscal years beginning after June 15, 2021, as per GASB Statement No. 95, which extended the effective date for 18 months.

Effective July 1, 2021, the School changed its method of recognizing operating lease expense in its financial statements to conform with GASB 87. As a result, the cumulative effect of applying the new method retroactively as of July 1, 2021 was the recording of a lease asset and lease liability of \$100,217.

Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, "Subscription-Based Information Technology Arrangements." This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements ("SBITA") for government end users ("governments"). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. The Statement is effective for fiscal years beginning after June 15, 2022. The School is currently evaluating the Statement and its impact on the financial statements.

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, 2022, \$6,603,827 of the School's bank balance was exposed to custodial credit risk as follows:

| | |
|--------------------------------|--------------|
| Uninsured and uncollateralized | \$ 3,142,237 |
| Collateralized | 2,780,853 |
| Insured amount | 758,786 |
| Less: outstanding checks | (78,049) |
| | <hr/> |
| | \$ 6,603,827 |

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 4. Promises to Give

Pledged contributions receivable of \$56,725 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:

| Year Ending June 30, | |
|----------------------|-----------|
| 2023 | \$ 70,615 |
| Unamortized discount | (431) |
| Total | \$ 70,184 |

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.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

| | 7/1/2021 | Additions | Deletions | 6/30/2022 |
|---------------------------------------|---------------|------------|-----------|---------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 1,490,524 | \$ - | \$ - | \$ 1,490,524 |
| Construction in Progress | - | 1,213,811 | | 1,213,811 |
| | 1,490,524 | 1,213,811 | - | 2,704,335 |
| Depreciable Capital Assets | | | | |
| Building and improvements | 10,114,494 | 34,817 | - | 10,149,311 |
| Building - component unit | 3,591,289 | - | | 3,591,289 |
| Equipment | 2,990,421 | 186,816 | - | 3,177,237 |
| Less: accumulated depreciation | (7,702,514) | (784,625) | - | (8,487,139) |
| | 8,993,690 | (562,992) | - | 8,430,698 |
| Capital assets, net | \$ 10,484,214 | \$ 650,819 | \$ - | \$ 11,135,033 |

Depreciation expense for the year ended June 30, 2022 was \$784,625. The School's capital assets are shared by multiple government functions. Accordingly, it was not considered practical to allocate depreciation expense.

Note 7. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the School reported a liability of \$4,311,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 7. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School's proportion was 0.0105%, which was a decrease of 0.0023% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School recognized a pension credit of \$(1,443,367). At June 30, 2022, 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 |
|--|-----------------------------------|----------------------------------|
| Net difference between projected and actual investment earnings | \$ - | \$ 686,000 |
| Differences between expected and actual experience | 3,000 | 57,000 |
| Changes in assumptions | 209,000 | |
| Changes in proportions | - | 1,221,000 |
| Difference between employer contributions and proportionate share of total contributions | 14,504 | 8,580 |
| Contributions subsequent to the measurement date | 467,590 | - |
| | \$ 694,094 | \$ 1,972,580 |

The \$467,590 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 ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| June 30: | |
|----------|--------------|
| 2023 | \$ (763,077) |
| 2024 | (400,193) |
| 2025 | (359,903) |
| 2026 | (222,903) |

Changes in Actuarial Assumptions

The total pension liability at June 30, 2021 was determined by rolling forward the System's total pension liability at June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Boys Latin of Philadelphia Charter School

Notes to Financial Statements

June 30, 2022

Note 7. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Changes in Actuarial Assumptions (Continued)

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 7. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Changes in Actuarial Assumptions (Continued)

| Asset Class | Allocation | of Return |
|----------------------|------------|-----------|
| Global public equity | 27.0% | 5.2% |
| Private equity | 12.0% | 7.3% |
| Fixed income | 35.0% | 1.8% |
| Commodities | 10.0% | 2.0% |
| Absolute return | 8.0% | 3.1% |
| Infrastructure/MLPs | 8.0% | 5.1% |
| Real estate | 10.0% | 4.7% |
| Cash | 3.0% | 0.1% |
| Financing (LIBOR) | -13.0% | 0.1% |
| | 100.0% | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease 6.00% | Discount Rate 7.00% | Increase 8.00% |
|---|----------------------|------------------------|-------------------|
| School's proportionate share of the net pension liability | \$ 5,658,000 | \$ 4,311,000 | \$ 3,174,000 |

**Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022**

Note 7. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Changes in Actuarial Assumptions (Continued)

Pension Plan Fiduciary Net Position

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

Note 8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the School reported a liability of \$249,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School's proportion was .0105%, which was a decrease of .0023% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School recognized an OPEB credit of \$(31,660). At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | of Resources | of Resources |
|--|--------------|--------------|
| Changes in proportion | \$ - | \$ 161,000 |
| Changes of assumptions | 27,000 | 3,000 |
| Differences between expected and actual experience | 2,000 | - |
| Net difference between projected and actual investment earnings | 1,000 | |
| Difference between employer contributions and proportionate share of total contributions | - | 986 |
| Contributions subsequent to the measurement date | 11,005 | - |
| | \$ 41,005 | \$ 164,986 |

The \$11,005 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

| June 30: | | |
|------------|----|----------|
| 2023 | \$ | (41,660) |
| 2024 | | (41,657) |
| 2025 | | (34,733) |
| 2026 | | (11,019) |
| 2027 | | (3,953) |
| Thereafter | | (1,964) |

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- 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, 2022

Note 8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

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.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

| OPEB - Asset Class | Allocation | of Return |
|------------------------|------------|-----------|
| Cash | 79.8% | 0.1% |
| US Core Fixed Income | 17.5% | 0.7% |
| Non-US Developed Fixed | 2.7% | -0.3% |
| | 100.0% | |

The above was the Board's adopted asset allocation policy and best estimates of geometrical real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.18%. 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 a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 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, 2022

Note 8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health care cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease | Trend Rate | 1% Increase |
|---------------------------|-------------|---------------|-------------|
| System net OPEB liability | \$ 249,000 | \$ 249,000 | \$ 249,000 |

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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage point higher (3.18%) than the current rate:

| | 1% Decrease 1.18% | Discount Rate 2.18% | Increase 3.18% |
|--|----------------------|---------------------------|-------------------|
| School's proportionate share of the net OPEB liability | \$ 286,000 | \$ 249,000 | \$ 219,000 |

OPEB plan fiduciary net position

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

Note 9. Long-Term Debt

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 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.

\$ 3,665,720

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

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 9. Long-Term Debt (Continued)

Loan 3 - The School secured a note for 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 had 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. 1,040,422

| | |
|--------------------------|---------------------|
| | 7,011,142 |
| Less: current maturities | (276,282) |
| | \$ 6,734,860 |

Following are changes in long-term debt for the year ended June 30, 2022:

| | July 1, 2021 | Additions | Deductions | June 30, 2022 |
|--------|---------------------|-------------|---------------------|---------------------|
| Loan 1 | \$ 3,875,279 | \$ - | \$ (209,559) | \$ 3,665,720 |
| Loan 2 | 775,000 | - | - | 775,000 |
| Loan 3 | 1,530,000 | - | - | 1,530,000 |
| Loan 4 | 1,094,368 | - | (53,946) | 1,040,422 |
| | \$ 7,274,647 | \$ - | \$ (263,505) | \$ 7,011,142 |

Interest expense on long-term debt was \$220,349 for the year ended June 30, 2022.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 9. Long-Term Debt (Continued)

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, 2022.

At June 30, 2022, future principal and interest requirements of long-term debt based on the schedule of mandatory redemption, are as follows:

| | | | |
|--------------|---------------------|---------------------|---------------------|
| 2023 | \$ 276,282 | \$ 207,847 | \$ 484,129 |
| 2024 | 2,593,617 | 195,511 | 2,789,128 |
| 2025 | 302,599 | 181,529 | 484,128 |
| 2026 | 1,120,758 | 142,225 | 1,262,983 |
| 2027 | 266,809 | 124,513 | 391,322 |
| 2028 to 2032 | 1,543,056 | 413,552 | 1,956,608 |
| 2033 to 2035 | 908,021 | 56,442 | 964,463 |
| | \$ 7,011,142 | \$ 1,321,619 | \$ 8,332,761 |

Note 10. Leasing Arrangements

Lease Assets

A summary of the lease asset activity during the year ended June 30, 2022 is as follows:

| | 7/1/2021 | Additions | Deletions | 6/30/2022 |
|--------------------------------|----------|------------|-----------|------------|
| Lease Assets: | | | | |
| Equipment | \$ - | \$ 100,217 | \$ - | \$ 100,217 |
| Less: accumulated amortization | - | (24,543) | | (24,543) |
| Lease assets, net | \$ - | \$ 75,674 | \$ - | \$ 75,674 |

Lease Liabilities

Lease agreements are summarized as follows:

| Description | Date | Terms | Amount | Rate | Liability | June 30, 2022 |
|------------------|----------|-------|----------|------|------------|---------------|
| Copier equipment | 8/1/2020 | 5 yrs | \$ 2,311 | 6% | \$ 100,217 | \$ 77,890 |

The copier equipment was leased for the School with the terms noted above. The lease is not renewable and the School will not acquire the equipment at the end of the five years.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 10. Leasing Arrangements (Continued)

Changes in lease liabilities are as follows:

| | | |
|------------------------|----|----------|
| Balance, July 1, 2021 | \$ | - |
| Additions | | 100,217 |
| Deletions | | (22,327) |
| | | |
| Balance, June 30, 2022 | \$ | 77,890 |

The following is a schedule of future minimum lease payments as of June 30, 2022:

| | | | | | | | |
|------|--|----|--------|----|-------|----|--------|
| | | \$ | 23,705 | \$ | 4,029 | \$ | 27,734 |
| 2023 | | | | | | | |
| 2024 | | | 25,167 | | 2,567 | | 27,734 |
| 2025 | | | 26,719 | | 1,014 | | 27,733 |
| 2026 | | | 2,299 | | 11 | | 2,310 |
| | | | | | | | |
| | | \$ | 77,890 | \$ | 7,621 | \$ | 85,511 |

The School also leases copier equipment under leases expiring during the year ended June 30, 2023. Copier lease expense for the year ended June 30, 2022 was \$79,620 and is included in support services on the accompanying Statement of Activities. As these agreements are considered short-term leases at June 30, 2022 they are excluded from the GASB 87 calculation.

Note 11. Grant Contingencies

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

Note 12. Litigation

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

Note 13. 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three years.

Boys Latin of Philadelphia Charter School
Notes to Financial Statements
June 30, 2022

Note 14. 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 \$285,808 for the year ended June 30, 2022.

Required Supplementary Information

**Boys Latin of Philadelphia Charter School
Governmental Fund Budgetary Comparison Schedule
Year Ended June 30, 2022**

| | Original/Final Budget | Actual Revenues/ Expenditures | Variance With Budget |
|---|--------------------------|-------------------------------------|-------------------------|
| Revenues | | | |
| Local educational agency assistance | \$ 12,057,753 | \$ 11,922,391 | \$ (135,362) |
| Federal sources | 4,474,712 | 4,351,375 | (123,337) |
| State sources | 202,254 | 225,550 | 23,296 |
| Other sources | 1,360,501 | 1,007,001 | (353,500) |
| | <u>18,095,220</u> | <u>17,506,317</u> | <u>(588,903)</u> |
| Expenditures | | | |
| Instruction | 8,816,695 | 8,329,890 | 486,805 |
| Support services | 5,567,886 | 4,189,914 | 1,377,972 |
| Noninstructional services | 796,801 | 748,710 | 48,091 |
| Capital outlay | 2,161,800 | 1,435,444 | 726,356 |
| Debt service | 391,321 | 419,055 | (27,734) |
| | <u>17,734,503</u> | <u>15,123,013</u> | <u>2,611,490</u> |
| Excess of Revenues Over Expenditures | 360,717 | 2,383,304 | 2,022,587 |
| Other Financing Sources | | | |
| Lease liability issued | - | 100,217 | 100,217 |
| Net Change in Fund Balance | 360,717 | 2,483,521 | 2,122,804 |
| Fund Balance, Beginning of Year | <u>4,504,324</u> | <u>4,504,324</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 4,865,041</u> | <u>\$ 6,987,845</u> | <u>\$ 2,122,804</u> |

Boys Latin of Philadelphia Charter School Schedule of the School's Proportionate Share of the Net Pension Liability and Contributions

Last 10 Fiscal Years*

Schedule of the School's Proportionate Share of the Net Pension Liability PSERS Measurement Date

| Fiscal Year | PSERS Net Pension Liability | | School's Covered Employee Payroll | School's Proportionate Share of NPL as a % of Covered- Employee Payroll | Plan Fiduciary Net Position as a % of Total Pension Liability |
|-------------|-----------------------------|------------------------------------|--|---|---|
| | School's Proportion | School's Proportionate Share | | | |
| 6/30/2013 | 0.0214% | \$ 8,761,000 | \$ 2,752,000 | 318.35% | 54.49% |
| 6/30/2014 | 0.0275% | \$ 10,884,000 | \$ 3,511,000 | 310.00% | 57.24% |
| 6/30/2015 | 0.0263% | \$ 11,392,000 | \$ 3,387,000 | 336.34% | 54.36% |
| 6/30/2016 | 0.0253% | \$ 12,538,000 | \$ 3,274,000 | 382.96% | 50.14% |
| 6/30/2017 | 0.0238% | \$ 11,754,000 | \$ 3,165,000 | 371.37% | 51.84% |
| 6/30/2018 | 0.0158% | \$ 7,585,000 | \$ 2,134,000 | 355.44% | 54.00% |
| 6/30/2019 | 0.0131% | \$ 6,129,000 | \$ 1,812,000 | 338.25% | 55.66% |
| 6/30/2020 | 0.0128% | \$ 6,303,000 | \$ 1,794,000 | 351.34% | 54.32% |
| 6/30/2021 | 0.0105% | \$ 4,311,000 | \$ 1,489,079 | 289.51% | 63.67% |

Schedule of School Contributions

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by PSERS | Contribution Deficiency (Excess) | Covered- Employee Payroll | Contributions as a % of Total Covered- Employee Payroll |
|-------------|--|---|--|---------------------------------|---|
| 6/30/2014 | \$ 598,000 | \$ 598,000 | \$ - | \$ 3,511,000 | 17.03% |
| 6/30/2015 | \$ 777,000 | \$ 777,000 | \$ - | \$ 3,387,000 | 22.94% |
| 6/30/2016 | \$ 844,000 | \$ 844,000 | \$ - | \$ 3,274,000 | 25.78% |
| 6/30/2017 | \$ 691,000 | \$ 691,000 | \$ - | \$ 3,165,000 | 21.83% |
| 6/30/2018 | \$ 746,000 | \$ 746,000 | \$ - | \$ 2,134,000 | 34.96% |
| 6/30/2019 | \$ 595,000 | \$ 595,000 | \$ - | \$ 1,812,000 | 32.84% |
| 6/30/2020 | \$ 606,000 | \$ 606,000 | \$ - | \$ 1,794,000 | 33.78% |
| 6/30/2021 | \$ 501,196 | \$ 500,711 | \$ 485 | \$ 1,489,079 | 33.63% |

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

**Boys Latin of Philadelphia Charter School
Schedule of the School's Proportionate Share of the Net
OPEB Liability and Contributions**

Last 10 Fiscal Years*

Schedule of the School's Proportionate Share of the Net OPEB Liability
PSERS Measurement Date

| Fiscal Year | PSERS Net OPEB Liability | | School's Covered Employee Payroll | School's Proportionate Share of OPEB as a % of Covered- Employee Payroll | Plan Fiduciary Net Position as a % of Total OPEB Liability |
|-------------|--------------------------|------------------------------------|--|--|--|
| | School's Proportion | School's Proportionate Share | | | |
| 6/30/2017 | 0.0238% | \$ 485,000 | \$ 3,165,000 | 15.32% | 5.73% |
| 6/30/2018 | 0.0158% | \$ 329,000 | \$ 2,134,000 | 15.42% | 5.56% |
| 6/30/2019 | 0.0131% | \$ 279,000 | \$ 1,812,000 | 15.40% | 5.56% |
| 6/30/2020 | 0.0128% | \$ 277,000 | \$ 1,794,000 | 15.44% | 5.69% |
| 6/30/2021 | 0.0105% | \$ 249,000 | \$ 1,489,079 | 16.72% | 5.30% |

Schedule of School Contributions

| Fiscal Year | Contractually Required Contributions | Contributions Recognized by PSERS | Contribution Deficiency (Excess) | Covered- Employee Payroll | Contributions as a % of Total Covered- Employee Payroll |
|-------------|--|---|--|---------------------------------|---|
| 6/30/2018 | \$ 20,000 | \$ 20,000 | \$ - | \$ 2,134,000 | 0.94% |
| 6/30/2019 | \$ 15,000 | \$ 15,000 | \$ - | \$ 1,812,000 | 0.83% |
| 6/30/2020 | \$ 15,000 | \$ 15,000 | \$ - | \$ 1,794,000 | 0.84% |
| 6/30/2021 | \$ 12,264 | \$ 12,000 | \$ 264 | \$ 1,489,079 | 0.81% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

Boys Latin of Philadelphia Charter School

Notes to Required Supplementary Information

Year Ended June 30, 2022

Note 1. Changes in Benefit Terms

None.

Note 2. Changes in Assumptions

Pensions

The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75% and real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted Table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

OPEB

The Discount Rate decreased from 2.66% to 2.18%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75% and real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted Table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Other Reports Required by Government Auditing Standards



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Trustees
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) as of and for the year ended June 30, 2022 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 9, 2022.

Internal Control Over Financial Reporting

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

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

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 of 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.

SD Associates P.C.

Certified Public Accountants
Elkins Park, Pennsylvania

December 9, 2022

Single Audit Requirements

Boys Latin of Philadelphia Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor | Federal Assistance Lising Number | Pass- Through Grantor's Number | Grant Period | Accrued (Deferred) Revenue 7/1/2021 | Total Received for the Year | Revenue Recognized | Total Federal Expenditures | Accrued (Deferred) Revenue 6/30/2022 |
|--|---|---|---------------------|--|-----------------------------------|-----------------------|----------------------------------|---|
| U.S. Department of Education | | | | | | | | |
| <u>Pass-Through PA Department of Education</u> | | | | | | | | |
| Title I - Improving Basic Programs | 84.010 | 013-221065 | 9/1/2021-9/30/2022 | \$ - | \$ 691,763 | \$ 768,075 | \$ 768,075 | \$ 76,312 |
| Title I - Improving Basic Programs | 84.010 | 013-211065 | 8/20/2020-9/30/2021 | 112,406 | 112,406 | - | - | - |
| Title II - Improving Teacher Quality | 84.367 | 020-221065 | 9/1/2021-9/30/2022 | - | 47,906 | 51,841 | 51,841 | 3,935 |
| Title II - Improving Teacher Quality | 84.367 | 020-211065 | 8/20/2020-9/30/2021 | 12,957 | 12,957 | - | - | - |
| Title IV - Student Support and Academic Enrichment | 84.424 | 144-221065 | 9/1/2021-9/30/2022 | - | 49,360 | 58,369 | 58,369 | 9,009 |
| Title IV - Student Support and Academic Enrichment | 84.424 | 144-211065 | 8/20/2020-9/30/2021 | 11,294 | 11,294 | - | - | - |
| COVID-19 Relief Funding: | | | | | | | | |
| CARES Act-Elementary and Secondary School Emergency Relief Fund | 84.425D | 200-211065 | 3/13/2020-9/30/2023 | - | 933,156 | 1,360,177 | 1,360,177 | 427,021 |
| CARES Act-Elementary and Secondary School Emergency Relief Fund | 84.425D | 200-201065 | 3/13/2020-9/30/2022 | 13,489 | 270,389 | 286,943 | 286,943 | 30,043 |
| American Rescue Plan-Elementary and Secondary School Emergency Relief | 84.425U | 223-211065 | 3/13/2020-9/30/2024 | - | 316,218 | 763,031 | 763,031 | 446,813 |
| American Rescue Plan-Elementary and Secondary School Emergency Relief 7% Reserve | 84.425U | 225-211065 | 3/13/2020-9/30/2024 | - | 73,732 | 190,424 | 190,424 | 116,692 |
| Total COVID-19 Relief Funding | | | | 13,489 | 1,593,495 | 2,600,575 | 2,600,575 | 1,020,569 |
| <u>Pass-Through School District of Philadelphia</u> | | | | | | | | |
| COVID-19 Relief Funding-American Rescue Plan | | | | | | | | |
| Individuals with Disabilities Education Act Part B | 84.027 | N/A | 7/1/2021-6/30/2022 | - | - | 47,971 | 47,971 | 47,971 |
| Individuals with Disabilities Education Act Part B | 84.027 | N/A | 7/1/2021-6/30/2022 | - | - | 209,513 | 209,513 | 209,513 |
| Individuals with Disabilities Education Act Part B | 84.027 | N/A | 7/1/2020-6/30/2021 | 186,560 | 186,560 | - | - | - |
| Total IDEA Part B | | | | 186,560 | 186,560 | 257,484 | 257,484 | 257,484 |
| Total U.S. Department of Education | | | | 336,706 | 2,705,741 | 3,736,344 | 3,736,344 | 1,367,309 |

See notes to schedule of expenditures of federal awards.

**Boys Latin of Philadelphia Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

| Federal Grantor/ Pass-Through Grantor | Federal Assistance Lining Number | Pass- Through Grantor's Number | Grant Period | Accrued (Deferred) Revenue 7/1/2021 | Total Received for the Year | Revenue Recognized | Total Federal Expenditures | Accrued (Deferred) Revenue 6/30/2022 |
|--|---|---|--------------------|--|-----------------------------------|-----------------------|----------------------------------|---|
| U.S. Department of Agriculture | | | | | | | | |
| <u>Pass-Through PA Department of Education</u> | | | | | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/2021-6/30/2022 | 10,444 | 470,214 | 472,426 | 472,426 | 12,656 |
| School Breakfast Program | 10.553 | N/A | 7/1/2021-6/30/2022 | 6,556 | 118,430 | 116,326 | 116,326 | 4,452 |
| <u>Pass-Through PA Department of Agriculture</u> | | | | | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/2021-6/30/2022 | - | 25,665 | 25,665 | 25,665 | - |
| Total Child Nutrition Cluster | | | | 17,000 | 614,309 | 614,417 | 614,417 | 17,108 |
| <u>Pass-Through PA Department of Education</u> | | | | | | | | |
| Pandemic Electronic Benefit Transfer Administrative Costs Grants | 10.649 | N/A | 7/1/2021-6/30/2022 | - | 614 | 614 | 614 | - |
| Total U.S. Department of Agriculture | | | | 17,000 | 614,923 | 615,031 | 615,031 | 17,108 |
| Total Federal Awards | | | | \$ 353,706 | \$ 3,320,664 | \$ 4,351,375 | \$ 4,351,375 | \$ 1,384,417 |

See 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, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Boys Latin of Philadelphia Charter School (the School) under programs of the federal government for the year ended June 30, 2022. 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 (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Note 2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available

Note 3. Indirect Cost Rate

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

Note 4. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys Latin of Philadelphia Charter School's (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Boys Latin of Philadelphia Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the regulations of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

SD Associates P.C.

Certified Public Accountants
Elkins Park, Pennsylvania

December 9, 2022

Boys Latin of Philadelphia Charter School Schedule of Findings and Questioned Costs Year Ended June 30, 2022

A. Summary of Audit Results

1. The Independent Auditor's Report expresses an unmodified opinion on the basic financial statements of Boys Latin of Philadelphia Charter School.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Boys Latin of Philadelphia Charter School which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The independent auditors' report on compliance for the major federal award programs for Boys Latin of Philadelphia Charter School expresses an unmodified opinion.
6. There were no audit findings, which were required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Education Stabilization Fund, Federal Assistance Listing Number 84.425.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Boys Latin of Philadelphia qualified as a low-risk auditee.

B. Findings-Financial Statement Audit

None.

C. Findings and Questioned Costs-Major Federal Award Programs Audit

None.