BOYS LATIN FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Boys Latin Foundation
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Boys Latin Foundation (a nonprofit organization and component unit of Boys Latin of Philadelphia Charter School), which comprises the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Latin Foundation as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, management adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 9, 2020

BOYS LATIN FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

CURRENT ASSETS	
Cash	$ 1,156,844
Due from Related Party	71,171
Total Current Assets	1,228,015
PROPERTY, Net	4,025,946
Total Assets	$ 5,253,961

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Loan Payable - Current Maturities	$ 48,026
Payroll Protection Program Loan - Current Maturities	100,133
Accrued Expenses	14,472
Due to Related Party	1,235,216
Total Current Liabilities	1,397,847
LONG-TERM LIABILITIES	
Loan Payable, Less Current Maturities	1,071,553
Payroll Protection Program Loan, Less Current Maturities	125,167
Total Liabilities	2,594,567
NET ASSETS	
Without Donor Restrictions	2,659,394
Total Liabilities and Net Assets	$ 5,253,961

See accompanying Notes to Financial Statements.

BOYS LATIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions
REVENUES	
Rental Income	$ 99,304
Shared Services Fee	1,072,998
Contributions	745,524
Interest Income	15,302
Total Revenues	1,933,128
EXPENSES	
Program	1,011,289
Contributions - Program Related	497,250
Administrative	68,795
Fundraising	78,952
Depreciation	128,355
Interest	54,326
Total Expenses	1,838,967
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	94,161
Net Assets Without Donor Restrictions - Beginning of Year	2,565,233
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	$ 2,659,394

See accompanying Notes to Financial Statements.

BOYS LATIN FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 94,161
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	128,355
Amortization of Deferred Financing Costs	5,225
Changes in Assets and Liabilities:	
Due from Related Party	(28,169)
Accrued Expenses	(17,300)
Due to Related Party	(208,462)
Net Cash Used by Operating Activities	(26,190)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Building Improvements	(368,090)
Net Cash Used by Investing Activities	(368,090)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of Long-Term Debt	(45,734)
Proceeds from Issuance of Long Term Debt	225,300
Net Cash Provided by Financing Activities	179,566
NET DECREASE IN CASH	(214,714)
Cash - Beginning of Year	1,371,558
CASH - END OF YEAR	$ 1,156,844
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Interest Paid	$ 58,795

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Boys Latin Foundation (the Foundation) operates as a nonprofit organization established under the laws of the Commonwealth of Pennsylvania. The Foundation is considered to be a component unit of Boys Latin of Philadelphia Charter School (the School), an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) that operates a public charter school for children in grades 6 through 12. As a component unit, the Foundation, although a legally separate entity, is, in substance, part of the School's operations. The Foundation has no component units for which it is considered to be financially accountable. The Foundation was organized to provide public educational school facilities, including land, buildings, and improvements, for the benefit of the School.

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

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

Basis of Accounting

The Foundation maintains its records on the accrual basis for both financial statements and tax return purposes.

Income Tax Status

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

The Foundation recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2020, the Foundation had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the Foundation had no interest or penalties related to income taxes.

Property

Property is stated at cost, less accumulated depreciation. Expenditures for additions and betterments are capitalized; maintenance and repairs are charged to current operations as incurred. Depreciation has been calculated on such assets using the straight-line method over the following estimated lives:

Building and Improvements	25 Years

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt. At June 30, 2020, unamortized debt issuance costs of $26,128 are presented as a reduction of long-term debt in the accompanying statement of financial position. Amortization expense, which was $5,225 for the year ended June 30, 2020, is included in Interest in the accompanying statement of activities. Debt issuance costs related to a recognized debt liability are presented in the statement of financial position as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset as required by ASU 2015-03.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions received and released in the same year are reported as increases in net assets without donor restrictions. All other contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. If a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Foundation, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

As of July 1, 2019, the Foundation adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of this guidance for the year ended June 30, 2020. No cumulative-effect adjustment to net assets was recorded because the adoption did not impact the Foundation's previously reported contributions.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606), which further deferred the effective date by one year making the guidance effective for the Foundation's fiscal year ending June 30, 2021.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through December 9, 2020, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Foundation considers all expenditures related to its ongoing program activities, as well as the administrative and general expenditures required to support these activities, to be general operating expenditures. Historically, the Foundation receives a majority of support for operating expenditures from contributions without donor restrictions and contributions with donor restrictions. The Foundation also receives rental income and shared services fees from the School (see Note 7). The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation strives to operate with a balanced budget and in typical years anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	$ 1,156,844
Due from Related Party	71,171
Total	$ 1,228,015

NOTE 3 PROPERTY

Property consisted of the following at June 30, 2020:

Land	$ 1,375,702
Building and Improvements	3,208,880
Total	4,584,582
Less: Accumulated Depreciation	(558,636)
Property, Net	$ 4,025,946

NOTE 4 LOAN PAYABLE

On July 27, 2015, the Foundation entered into a construction loan from a lender for renovations of its real property. The construction period has ended, and the loan has been converted into a conventional term loan. The outstanding principal balance is $1,145,707 as of June 30, 2020. 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 the Foundation's real property, substantially all other assets of the Foundation and an assignment of all rents and leases arising from the property. The loan matures and the outstanding principal and accrued interest are due on July 27, 2025.

Long-term debt is presented and classified on the statement of financial position at June 30, 2020, as follows:

Long-Term Debt	$ 1,145,707
Less: Current Maturities	(48,026)
Total	1,097,681
Less: Debt Issuance Costs	(26,128)
Long-Term Debt, Net	$ 1,071,553

NOTE 4 LOAN PAYABLE (CONTINUED)

Future principal requirements of long-term debt at June 30, 2020, are as follows:

Year Ending June 30,	Amount
2021	$ 48,026
2022	50,263
2023	52,604
2024	54,935
2025	57,615
Thereafter	882,264
Total	$ 1,145,707

Interest expense amounted to $54,326 for the year ended June 30, 2020. The School is required to be in compliance with certain financial covenants related to this long-term debt. At June 30, 2020, the School is not aware of any violations of the covenants.

NOTE 5 PAYROLL PROTECTION PROGRAM LOAN

On April 20, 2020, the Foundation received loan proceeds in the amount of $225,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expense of the qualifying business. The loan is forgivable if the borrower uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities, and maintains its payroll levels. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over the 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is after the covered period, then payment of principal and interest shall begin remitted to the lender or, if the Foundation fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum.

Future principal requirements of the loan at June 30, 2020, are as follows:

Year Ending June 30,	Amount
2021	$ 100,133
2022	125,167
	$ 225,300

NOTE 6 CONCENTRATION OF CREDIT RISK

The Foundation places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with high quality financial institutions and attempts to limit the amount of credit exposure with any one institution.

100% of the total rental revenue of the Foundation for the year ended June 30, 2020, was generated from the School through direct leased property.

NOTE 7 RELATED-PARTY ARRANGEMENTS

During the year ended June 30, 2020, the Foundation recorded contributions of $497,250 to the School to support certain programs of the School. During the year ended June 30, 2020, the Foundation received pledge payments in the amount of $5,000 on behalf of the School. As of June 30, 2020, the amounts are included in the due to related party.

During the period ended June 30, 2016, the School advanced $598,165 to the Foundation for costs associated with the renovations of the School buildings. During the period ended June 30, 2020, the School advanced $134,801 to the Foundation for costs associated with the renovations of the School buildings. The advances, which are noninterest-bearing, do not have stated repayment terms and is included in the due to related party as of June 30, 2020.

The School leases its middle school facility from the Foundation under a one-year lease that expired on June 30, 2020. The lease automatically renews, unless the Foundation or the School exercise their right to terminate the lease, for additional one-year terms on July 1 of each year. Rental income due under the lease for the year ended June 30, 2020, was $99,304. Rental income due under the lease for all future renewal terms, if exercised, will be $99,300 per annum. In addition, the Foundation will receive from the School, as additional rental income, reimbursement for certain operating expenses, as defined in the lease. Certain other operating expenses, including utilities, maintenance and taxes, as defined in the lease, are the responsibility of and will be paid for directly by the School.

The Foundation entered into a shared services fee agreement with the School to receive an annual fee equal to the compensation of the employees providing services to the School along with associated costs as defined in the agreement. The term of the agreement expires on June 30, 2020. The agreement will automatically renew for an additional succeeding year unless written notice is provided by either party not less than 90 days prior to the end of the initial or renewal term. For the year ended June 30, 2020, the Foundation recorded shared services fee revenue of $1,072,998 of which $71,171 is included in due from related party.

NOTE 8 EMPLOYEE BENEFIT PLAN

The Foundation maintains a savings incentive 403(b) plan for its employees. All employees are eligible. Participants may elect voluntary salary deferrals under the plan up to the maximum permitted by law. The Foundation makes a contribution for certain employees enrolled in the plan at a rate of 7.5% of eligible compensation as defined in the plan agreement. Contribution expense for the plan amounted to $70,692 for the year ended June 30, 2020.

NOTE 9 FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated across program and supporting services on the basis of estimates of time and effort expended. Program expenses constitute those related to educational programming, including the existence and maintenance of school facilities and operations. Administrative expenses constitute fees and activities that are not identifiable with a single educational program, fundraising activity, or school operational activity, but that are indispensable to the conduct of those activities and to our entity's existence. Fundraising expenses are those which are directly related to the development function at the organization.

The schedule below presents expenses by both their nature and function for the year ended June 30, 2020:

	Program	Administrative	Fundraising	Supporting Subtotal	Total
Payroll and Benefits	$ 947,514	$ 59,938	$ 78,367	$ 138,305	$ 1,085,819
Contributions	497,250	-	-	-	497,250
Professional Fees	63,775	6,272	585	6,857	70,632
Administrative	-	2,585	-	2,585	2,585
Depreciation	128,355	-	-	-	128,355
Interest	54,326	-	-	-	54,326
Total Expenses by Function	$ 1,691,220	$ 68,795	$ 78,952	$ 147,747	$ 1,838,967