

**BOYS LATIN FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**



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**BOYS LATIN FOUNDATION
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YEAR ENDED JUNE 30, 2019**

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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, 2019, 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.

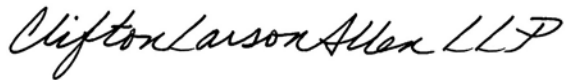
Board of Trustees
Boys Latin Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of June 30, 2019, 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 discussed in Note 1 to the financial statements, the Boys Latin Foundation has adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 10, 2019

**BOYS LATIN FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

CURRENT ASSETS

Cash	\$ 1,371,558
Due from Related Party	<u>43,002</u>
Total Current Assets	1,414,560

PROPERTY, Net

3,786,211

Total Assets

\$ 5,200,771

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Maturities of Long-Term Debt	\$ 45,754
Accrued Expenses	31,772
Due to Related Party	<u>1,443,678</u>
Total Current Liabilities	1,521,204

LONG-TERM LIABILITIES, Less Current Maturities

1,114,334

Total Liabilities

2,635,538

NET ASSETS

Without Donor Restrictions	<u>2,565,233</u>
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Total Liabilities and Net Assets

\$ 5,200,771

See accompanying Notes to Financial Statements.

**BOYS LATIN FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions
REVENUES	
Rental Income	\$ 99,304
Shared Services Fee	1,170,235
Contributions	1,284,479
Interest Income	8,220
Total Revenues	2,562,238
EXPENSES	
Program	1,027,775
Contributions - Program Related	802,180
Administrative	71,221
Fundraising	71,878
Depreciation and Amortization	107,570
Interest	56,851
Total Expenses	2,137,475
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	424,763
Net Assets Without Donor Restrictions - Beginning of Year	2,140,470
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 2,565,233

See accompanying Notes to Financial Statements.

**BOYS LATIN FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 424,763
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	107,570
Amortization of Deferred Financing Costs	5,225
Changes in Assets and Liabilities:	
Due from Related Party	(43,002)
Deferred Rental Income	(8,275)
Accrued Expenses	3,933
Due to Related Party	845,513
Net Cash Provided by Operating Activities	<u>1,335,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Building Improvements	<u>(151,532)</u>
Net Cash Used by Investing Activities	<u>(151,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of Long-Term Debt	<u>(43,872)</u>
Net Cash Used by Financing Activities	<u>(43,872)</u>
NET INCREASE IN CASH	1,140,323
Cash - Beginning of Year	<u>231,235</u>
CASH - END OF YEAR	<u>\$ 1,371,558</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Interest Paid	<u>\$ 56,851</u>

See accompanying Notes to Financial Statements.

**BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 IRC.

**BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, 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
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Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt. At June 30, 2019, unamortized debt issuance costs of \$31,353 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, 2019, 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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Change in Accounting Principle

The Foundation adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The adoption did not impact the Organization's financial position as of June 30, 2019 or the changes in its net assets for the year then ended.

BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

The new standard changes the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 2)
- The financial statements include a disclosure which presents expenses by both their natural classification and functional classification (Note 8).

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through October 10, 2019, 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 6). 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.

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	\$ 1,371,558
Due from Related Parties	43,002
Total	<u>\$ 1,414,560</u>

BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 PROPERTY

Property consisted of the following at June 30, 2019:

Land	\$ 1,375,702
Construction in Process	151,532
Building and Improvements	<u>2,689,258</u>
Total	4,216,492
Less: Accumulated Depreciation	<u>(430,281)</u>
Property, Net	<u><u>\$ 3,786,211</u></u>

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 \$1,191,441 as of June 30, 2019. 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, 2019, as follows:

Long-Term Debt	\$ 1,191,441
Less: Current Maturities	<u>(45,754)</u>
Total	1,145,687
Less: Debt Issuance Costs	<u>(31,353)</u>
Long-Term Debt, Net	<u><u>\$ 1,114,334</u></u>

Future principal requirements of long-term debt at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 45,747
2021	48,026
2022	50,263
2023	52,604
2024	54,935
Thereafter	<u>939,866</u>
Total	<u><u>\$ 1,191,441</u></u>

Interest expense amounted to \$56,851 for the year ended June 30, 2019. The School is required to be in compliance with certain financial covenants related to this long-term debt. At June 30, 2019, the School is not aware of any violations of the covenants.

**BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 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, 2019, was generated from the School through direct leased property.

NOTE 6 RELATED-PARTY ARRANGEMENTS

During the year ended June 30, 2019, the Foundation recorded contributions of \$802,180 to the School to support certain programs of the School. During the year ended June 30, 2019, the Foundation received pledge payments in the amount of \$43,333 on behalf of the School. As of June 30, 2019, these amounts are included in the due to related party.

During the period ending June 30, 2016, the School advanced \$598,165 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, 2019.

The School leases its middle school facility from the Foundation under a one-year lease that expired on June 30, 2019. 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, 2019, 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.

During the year-end June 30, 2019, 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, 2019. 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, 2019, the Foundation recorded shared services fee revenue of \$1,170,235 of which \$43,002 is included in due from related party.

**BOYS LATIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 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 \$74,615 for the year ended June 30, 2019.

NOTE 8 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, 2019:

	Program	Administrative	Fund- Raising	Supporting Subtotal	Total
Payroll and Benefits	\$ 1,027,775	\$ 65,628	\$ 71,878	\$ 137,506	\$ 1,165,281
Contributions	802,180	-	-	-	802,180
Administration	-	5,593	-	5,593	5,593
Depreciation and Amortization	107,570	-	-	-	107,570
Interest	56,851	-	-	-	56,851
Total Expenses by Function	<u>\$ 1,994,376</u>	<u>\$ 71,221</u>	<u>\$ 71,878</u>	<u>\$ 143,099</u>	<u>\$ 2,137,475</u>

