

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

YEARS ENDED JUNE 30, 2013 AND 2012

WITH INDEPENDENT AUDITORS' REPORT THEREON

F. L. TEMPLETON PREPARATORY ACADEMY, INC.


**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

YEARS ENDED JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Unrestricted Revenues and Expenses and Change in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
Accompanying Information -	
Schedule of Expenses Funded by Baltimore City Board of School Commissioners	11

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INDEPENDENT AUDITORS' REPORT

Board of Directors

F. L. Templeton Preparatory Academy, Inc.

Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of F. L. Templeton Preparatory Academy, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of unrestricted revenues and expenses and change in net assets and cash flows for the years 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 audits. We conducted our audits 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 of material misstatement.

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

Board of Directors
F. L. Templeton Preparatory Academy, Inc.
Page 2 of 3

Auditors' Responsibility, continued

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

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

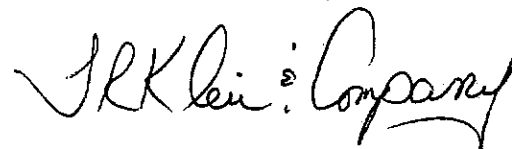
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F. L. Templeton Preparatory Academy, Inc., as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
F. L. Templeton Preparatory Academy, Inc.
Page 3 of 3

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses funded by Baltimore City Board of School Commissioners shown on page 11 is presented for purposes of additional analysis, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2014

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 1,309,021	\$ 923,701
Accounts receivable	92,111	134,264
Prepaid expenses and deposits	20,894	42,499
Property and equipment, net	<u>503,410</u>	<u>542,456</u>
Total assets	<u><u>1,925,436</u></u>	<u><u>1,642,920</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	41,078	35,768
Construction payable	<u>-</u>	<u>88,489</u>
Total liabilities	<u>41,078</u>	<u>124,257</u>
Net assets -		
Unrestricted - available for general activities	<u>1,884,358</u>	<u>1,518,663</u>
Total net assets	<u>1,884,358</u>	<u>1,518,663</u>
Total liabilities and net assets	<u><u>\$ 1,925,436</u></u>	<u><u>\$ 1,642,920</u></u>

The accompanying notes are an integral part of these financial statements.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**STATEMENTS OF UNRESTRICTED REVENUES AND EXPENSES
AND CHANGE IN NET ASSETS**

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenues, gains, and other support:		
Baltimore City Public School System:		
Cash	\$ 1,133,161	\$ 1,336,874
Teachers and other support	<u>2,912,394</u>	<u>2,841,153</u>
	4,045,555	4,178,027
Public support -		
Contributions and grants	4,000	2,000
Revenue and grants from governmental agencies	1,637,164	2,042,497
Interest and other revenue	<u>427</u>	<u>176</u>
Total revenues, gains, and other support	<u>5,687,146</u>	<u>6,222,700</u>
Expenses:		
Payroll and payroll related expenses	3,999,812	3,587,310
Professional fees	265,395	145,047
Office expense	77,441	50,880
School transportation/travel	13,383	18,601
School/curriculum supplies	282,307	276,385
Field trips	103,416	72,580
Occupancy	314,584	311,224
Staff development and training	69,011	83,952
Repairs and maintenance	53,655	50,074
Depreciation	<u>142,447</u>	<u>127,392</u>
Total expenses	<u>5,321,451</u>	<u>4,723,445</u>
Change in net assets	365,695	1,499,255
Net assets - beginning of year	<u>1,518,663</u>	<u>19,408</u>
Net assets - end of year	<u><u>\$ 1,884,358</u></u>	<u><u>\$ 1,518,663</u></u>

The accompanying notes are an integral part of these financial statements.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 365,695	\$ 1,499,255
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	142,447	127,392
(Increase) decrease in:		
Accounts receivable	42,153	(109,668)
Prepaid expenses and deposits	21,605	(42,499)
Increase (decrease) in -		
Accounts payable and accrued expenses	<u>5,310</u>	<u>11,697</u>
Net cash provided by operating activities	<u>577,210</u>	<u>1,486,177</u>
Cash flows from investing activities -		
Capital expenditures	<u>(191,890)</u>	<u>(562,941)</u>
Net cash used in investing activities	<u>(191,890)</u>	<u>(562,941)</u>
Net increase in cash	385,320	923,236
Cash - beginning of year	<u>923,701</u>	<u>465</u>
Cash - end of year	<u>\$ 1,309,021</u>	<u>\$ 923,701</u>

Non-cash investing activity -

\$ 88,489 of capital expenditures was funded with a construction payable at June 30, 2012.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Nature of Organization

The mission of F. L. Templeton Preparatory Academy, Inc. (the School) is to prepare our youth for the 21st century while giving them the opportunity to learn, love and live. Moreover, we will accomplish this vision by accelerating the opportunities and outcomes of our children by demanding nothing but excellence from the students, the staff, and the community. In short, we "expect excellence". The School is a non-profit organization located in Baltimore, Maryland and is funded by the Baltimore City Public School System (BCPSS) and public and governmental grants.

Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Cash Equivalents

For purposes of the statement of cash flows, the School considers cash equivalents to include all highly liquid debt instruments purchased with maturities of three (3) months or less.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

Donated Services

The School recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the difference between the two methods is immaterial.

Property and Equipment

The School capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) to ten (10) years using the straight-line method. The School uses the direct expensing method to account for planned major maintenance activities.

2 - Income Taxes

The School is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2 - Income Taxes (continued)

The School filed its initial return for the year ended June 30, 2012. The Internal Revenue Service has not examined (audited) the previous income tax return of F.L. Templeton Preparatory Academy, Inc., thus the previous year is subject to examination. The School has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

3 - Property and Equipment

Property and equipment consisted of the following at June 30,:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 267,736	\$ 192,732
Equipment	424,805	404,685
Furniture and fixtures	<u>81,020</u>	<u>72,743</u>
	773,561	670,160
Less accumulated depreciation	<u>270,151</u>	<u>127,704</u>
	<u><u>503,410</u></u>	<u><u>542,456</u></u>

4 - Functional Expenses

Total expenses were allocated as follows for the years ended June 30,:

	<u>2013</u>	<u>2012</u>
Program services	4,736,634	4,252,395
Management and general	<u>584,817</u>	<u>471,050</u>
	<u><u>\$ 5,321,451</u></u>	<u><u>\$ 4,723,445</u></u>

5 - Credit Risk

The School has cash balances in one (1) bank in excess of \$ 250,000 as of June 30, 2013. Cash balances in excess of \$ 250,000 with one (1) bank are not insured by FDIC.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

6 - Rent

The School occupies space provided by BCPSS. BCPSS deducts the rent from the per pupil funding under the terms of the Charter Agreement. Rent expense was \$ 202,500 for the years ended June 30, 2013 and 2012.

7 - Revenue Concentration

The School received approximately 71% and 67% of its revenue from BCPSS for the years ended June 30, 2013 and 2012. Under the current Charter School Agreement, the School's charter expires on June 30, 2014, and management may apply for a five (5) year extension of the agreement provided such application is sent at least one hundred-twenty (120) days prior to the end of the agreement.

8 - Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

9 - Subsequent Events

GAAP requires organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. GAAP requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial statement preparation process. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The School has evaluated subsequent events through the date the financial statements were available to be issued on January 15, 2014, and determined there are no material transactions to disclose.

ACCOMPANYING INFORMATION

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**SCHEDULE OF EXPENSES FUNDED BY BALTIMORE
CITY BOARD OF SCHOOL COMMISSIONERS**

YEAR ENDED JUNE 30, 2013

	Total Organization Expenses	Expenses Funded By Baltimore City Board of School Commissioners
Payroll and payroll related expenses	\$ 3,999,812	\$ 3,152,794
Professional fees	265,395	114,935
Office expense	66,563	62,249
School transportation/travel	13,383	12,744
School/curriculum supplies	282,307	119,620
Field trips	103,416	103,416
Occupancy	314,584	314,584
Staff development and training	69,011	30,163
Repairs and maintenance	53,655	53,655
Miscellaneous	10,878	1,811
Depreciation	142,447	142,447
	<u>5,321,451</u>	<u>4,108,418</u>
Total expenses	<u>\$ 5,321,451</u>	<u>\$ 4,108,418</u>