



***F.L. Templeton Preparatory Academy, Inc.***

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**Financial Statements  
June 30, 2016 and 2015**

**Malvin, Riggins & Company, P.C.  
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***F.L. Templeton Preparatory Academy, Inc.***

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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, 2016 and 2015, 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.

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.

**Auditors' Responsibility, continued**

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, 2016 and 2015, 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.

**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 10 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.

*Malvin, Diggins + Company, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

Baltimore, Maryland  
January 12, 2017

***F.L. Templeton Preparatory Academy, Inc.***

Statements of Unrestricted Revenues and Expenses and Changes in Net Assets  
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues, gains, and other support:		
Baltimore City Public School System:		
Cash	\$ 791,454	\$ 821,987
Teachers and other support	<u>3,554,278</u>	<u>3,545,106</u>
	<u>4,345,732</u>	<u>4,367,093</u>
Public support -		
Contributions and grants	<u>3,367</u>	<u>-</u>
Revenue and grants from governmental agencies	<u>1,244,430</u>	<u>1,334,401</u>
Other revenue:		
Program revenue	31,811	25,144
Interest revenue	<u>206</u>	<u>206</u>
	<u>32,017</u>	<u>25,350</u>
Total revenues, gains, and other support	<u>5,625,546</u>	<u>5,726,844</u>
Expenses:		
Payroll and payroll related	4,376,068	4,565,414
Professional fees	232,772	463,227
Office expense	93,041	59,177
School transportation/travel	14,403	6,117
School/curriculum supplies	92,603	121,700
Field trips	74,079	84,061
Occupancy	378,944	370,216
Staff development and training	51,179	27,333
Repairs and maintenance	19,622	90,245
Depreciation	<u>238,278</u>	<u>236,335</u>
Total expenses	<u>5,570,989</u>	<u>6,023,825</u>
Change in net assets	54,557	(296,981)
Net assets - beginning of year	<u>1,807,826</u>	<u>2,104,807</u>
Net assets - end of year	<u>\$ 1,862,383</u>	<u>\$ 1,807,826</u>

See the independent auditors' report and accompanying notes.

***F.L. Templeton Preparatory Academy, Inc.***

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,107,562	\$ 1,022,667
Accounts receivable	187,630	52,893
Prepaid expenses	62,806	-
Property and equipment, net	<u>523,264</u>	<u>747,942</u>
Total assets	<u><u>1,881,262</u></u>	<u><u>1,823,502</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	<u>18,879</u>	<u>15,676</u>
Total liabilities	<u>18,879</u>	<u>15,676</u>
Net assets -		
Unrestricted	<u>1,862,383</u>	<u>1,807,826</u>
Total net assets	<u>1,862,383</u>	<u>1,807,826</u>
Total liabilities and net assets	<u><u>\$ 1,881,262</u></u>	<u><u>\$ 1,823,502</u></u>

See the independent auditors' report and accompanying notes.

***F.L. Templeton Preparatory Academy, Inc.***

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 54,557	\$ (296,981)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	238,278	236,335
(Increase) decrease in:		
Accounts receivable	(134,737)	63,912
Prepaid expenses	(62,806)	16,132
Increase (decrease) in -		
Accounts payable and accrued expenses	<u>3,203</u>	<u>(23,940)</u>
Net cash provided by (used in) operating activities	<u>98,495</u>	<u>(4,542)</u>
Cash flows from investing activities -		
Capital expenditures	<u>(13,600)</u>	<u>(387,883)</u>
Net cash used in investing activities	<u>(13,600)</u>	<u>(387,883)</u>
Net increase (decrease) in cash and cash equivalents	84,895	(392,425)
Cash and cash equivalents - beginning of year	<u>1,022,667</u>	<u>1,415,092</u>
Cash and cash equivalents - end of year	<u>\$ 1,107,562</u>	<u>\$ 1,022,667</u>

See the independent auditors' report and accompanying notes.

## ***F.L. Templeton Preparatory Academy, Inc.***

Notes to Financial Statements

June 30, 2016 and 2015

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### **NOTE 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.

#### **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.

#### **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

June 30, 2016 and 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**NOTE 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.

The Internal Revenue Service has not examined (audited) the previous income tax return of F.L. Templeton Preparatory Academy, Inc., thus the previous three (3) years 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.

**NOTE 3 - FUNCTIONAL EXPENSES**

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

	<u>2016</u>	<u>2015</u>
Program services	\$ 4,943,035	\$ 5,360,267
Management and general	<u>627,954</u>	<u>663,558</u>
	<u>\$ 5,570,989</u>	<u>\$ 6,023,825</u>

***F.L. Templeton Preparatory Academy, Inc.***

Notes to Financial Statements

June 30, 2016 and 2015

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**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 886,616	\$ 873,016
Equipment	481,315	481,315
Furniture and fixtures	81,020	81,020
	<u>1,448,951</u>	<u>1,435,351</u>
Less accumulated depreciation	925,687	687,409
	<u>\$ 523,264</u>	<u>\$ 747,942</u>

**NOTE 5 - CREDIT RISK**

The School has cash balances in one (1) bank in excess of \$250,000 as of June 30, 2016. Cash balances in excess of \$250,000 with one (1) bank are not insured by FDIC.

**NOTE 6 - RENT**

The School occupies space provided by BCPSS under the terms of a lease that expired on June 30, 2016, with an option to renew for three (3) additional five (5) year terms, provided the School's Charter is renewed. BCPSS deducts the rent from the per pupil funding under the terms of the Charter Agreement. Rent expense was approximately \$260,000 and \$255,000 for the years ended June 30, 2016 and 2015, respectively. The School's charter was renewed for three (3) years and as a result the lease renewal is only for a three (3) year term ending June 30, 2019.

Future minimum rentals are as follows for the years ending June 30:

2017	\$ 268,292
2018	273,657
2019	\$ 279,131

**NOTE 7 - REVENUE CONCENTRATION**

The School received approximately 77% and 76% of its revenue from BCPSS for the years ended June 30, 2016 and 2015. Under the current Charter School Agreement, the School's charter expires on June 30, 2019, 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.

***F.L. Templeton Preparatory Academy, Inc.***

Notes to Financial Statements

June 30, 2016 and 2015

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**NOTE 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.

**NOTE 9 - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through the date the financial statements were available to be issued on January 12, 2017, 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, 2016

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	Total Organization Expenses	Expenses Funded By Baltimore City Board of School Commissioners
	<u>                    </u>	<u>                    </u>
Payroll and payroll related	\$ 4,376,068	\$ 3,155,049
Professional fees	232,772	232,772
Office expense	93,041	93,041
School transportation/travel	14,403	14,403
School/curriculum supplies	92,603	85,037
Field trips	74,079	74,079
Occupancy	378,944	378,944
Staff development and training	51,179	35,179
Repairs and maintenance	19,622	19,622
Depreciation	<u>238,278</u>	<u>238,278</u>
Total expenses	<u>\$ 5,570,989</u>	<u>\$ 4,326,404</u>