

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

YEAR ENDED JUNE 30, 2012

WITH INDEPENDENT AUDITORS' REPORT THEREON

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Unrestricted Revenues and Expenses and Change in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
Accompanying Information -	
Schedule of Expenses Funded by Baltimore City Board of School Commissioners	10

2809 Boston Street • Suite 440 • Baltimore, Maryland 21224



Telephone (410) 675-2727
Toll Free (877) 675-6766
Facsimile (410) 558-3807
www.trkcompany.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
F. L. Templeton Preparatory Academy, Inc.
Baltimore, Maryland

We have audited the accompanying statement of financial position of F. L. Templeton Preparatory Academy, Inc., as of June 30, 2012 and the related statements of unrestricted revenues and expenses and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 and "Government Auditing Standards," issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued a report dated January 7, 2013 on our consideration of F. L. Templeton Preparatory Academy, Inc.'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" and important for assessing the results of our audit.

Members

Board of Directors

F. L. Templeton Preparatory Academy, Inc.

Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenses funded by the Baltimore City Board of School Commissioners 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "J. Klein Company". The signature is written in dark ink and is positioned above the printed name of the firm.

CERTIFIED PUBLIC ACCOUNTANTS

January 7, 2013

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Cash	\$ 923,701
Accounts receivable	134,264
Prepaid expenses and deposits	42,499
Property and equipment, net	<u>542,456</u>
Total assets	<u><u>1,642,920</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	35,768
Construction payable	<u>88,489</u>
Total liabilities	<u>124,257</u>
Net assets -	
Unrestricted - available for general activities	<u>1,518,663</u>
Total net assets	<u>1,518,663</u>
Total liabilities and net assets	<u><u>\$ 1,642,920</u></u>

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

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

YEAR ENDED JUNE 30, 2012

Revenues, gains, and other support:	
Baltimore City Public School System:	
Cash	\$ 1,336,874
Teachers and other support	2,841,153
	<u>4,178,027</u>
Public support -	
Contributions and grants	2,000
Revenue and grants from governmental agencies	2,042,497
Interest and other revenue	176
	<u>6,222,700</u>
Total revenues, gains, and other support	
Expenses:	
Payroll and payroll related expenses	3,587,310
Professional fees	145,047
Office expense	43,174
School transportation/travel	18,601
School/curriculum supplies	276,385
Field trips	72,580
Occupancy	311,224
Staff development and training	83,952
Repairs and maintenance	50,074
Miscellaneous	7,706
Depreciation	127,392
	<u>4,723,445</u>
Total expenses	
Change in net assets	1,499,255
Net assets - beginning of year	19,408
Net assets - end of year	<u>\$ 1,518,663</u>

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

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 1,499,255
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	127,392
(Increase) decrease in:	
Accounts receivable	(109,668)
Prepaid expenses	(42,499)
Increase (decrease) in -	
Accounts payable and accrued expenses	<u>11,697</u>
Net cash provided by operating activities	<u>1,486,177</u>
Cash flows from investing activities -	
Capital expenditures	<u>(562,941)</u>
Net cash used in investing activities	<u>(562,941)</u>
Net increase in cash	923,236
Cash - beginning of year	<u>465</u>
Cash - end of year	<u><u>\$ 923,701</u></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), 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.

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.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

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.

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.

2 - Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

Building renovations	\$ 192,732
Equipment	404,685
Furniture and Fixtures	<u>72,743</u>
	670,160
Less accumulated depreciation	<u>127,704</u>
	<u><u>\$ 542,456</u></u>

(Continued)

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

3 - 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 School will file its initial return for the year ended June 30, 2012. 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.

4 - Functional Expenses

Total expenses consisted of the following for the years ended June 30, 2012:

Program services	\$ 4,252,395
Management and general	<u>471,050</u>
	<u>\$ 4,723,445</u>

5 - Rent

The School occupies space provided by BCPSS. BCPSS deducts the rent from the tuition payments under the terms of the Charter Agreement. Rent expense was \$ 202,500 for the year ended June 30, 2012.

6 - Revenue Concentration

The School received approximately 67% of its revenue from Baltimore City Public Schools for the year ended June 30, 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.

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7 - 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.

8 - 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 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 7, 2013, and determined there are no material transactions to disclose.

ACCOMPANYING INFORMATION

ACCOMPANYING INFORMATION

F. L. TEMPLETON PREPARATORY ACADEMY, INC.

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

YEAR ENDED JUNE 30, 2012

	<u>Total Organization Expenses</u>	<u>Expenses Funded By Baltimore City Board of School Commissioners</u>
Payroll and payroll related expenses	\$ 3,587,310	\$ 2,848,251
Professional fees	145,047	40,668
Supplies	43,174	42,457
School transportation	18,601	2,666
School/curriculum supplies	276,385	100,608
Field trips	72,580	54,873
Occupancy	311,224	311,224
Staff development and training	83,952	62,577
Repairs and maintenance	50,074	50,074
Miscellaneous	7,706	1,909
Depreciation	127,392	127,392
	<u>4,723,445</u>	<u>3,642,699</u>
Total expenses	<u>\$ 4,723,445</u>	<u>\$ 3,642,699</u>