

BRAZO DE ORO CHILDREN'S FOUNDATION
(COMPONENT UNIT OF MARIANA BRACETTI ACADEMY
CHARTER SCHOOL)
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

BRAZO DE ORO CHILDREN'S FOUNDATION
(COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
YEAR ENDED JUNE 30, 2012

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7

Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Brazo De Oro Children's Foundation
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of Brazo De Oro Children's Foundation (a nonprofit organization and a component unit of Mariana Bracetti Academy Charter School) as of June 30, 2012, and the related statements of activities 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. 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 Brazo De Oro Children's Foundation as of June 30, 2012, and the changes 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.



ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
January 25, 2013

Harrisburg	Lehigh Valley	Philadelphia	Pittsburgh
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

<u>Assets</u>	<u>2012</u>
Current Assets	
Cash	\$ <u>17,721,204</u>
Total Current Assets	<u>17,721,204</u>
Property	
Land	344,068
Construction In Progress	2,297,321
Building and Improvements	<u>3,100,587</u>
Total Property	<u>5,741,976</u>
Issue Costs	<u>816,612</u>
Total Assets	<u>\$ 24,279,792</u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts Payable	\$ 442,802
Due to Charter School	<u>629,642</u>
Total Current Liabilities	<u>1,072,444</u>
Long-Term Debt	
Long-Term Debt	24,740,000
Less: Original Issue Discount	<u>(668,399)</u>
Total Long-Term Debt	<u>24,071,601</u>
Total Liabilities	<u>25,144,045</u>
Unrestricted Net Assets	<u>(864,253)</u>
Total Liabilities and Net Assets	<u>\$ 24,279,792</u>

The accompanying notes are integral part of the financial statements.

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	<u>2012</u>
Revenue	
Interest Income	\$ <u>48,185</u>
Total Revenue	48,185
Expenses	
Depreciation and Amortization	-
Insurance	3,688
Interest	891,004
Utilities	1,340
Miscellaneous	14,626
Professional Fees	<u>1,780</u>
Total Expenses	<u>912,438</u>
Changes in Net Assets	(864,253)
Unrestricted Net Assets, Beginning of Year	<u>-</u>
Unrestricted Net Assets, End of Year	<u>\$ (864,253)</u>

The accompanying notes are integral part of the financial statements.

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
STATEMENT OF CASH FLOWS
JUNE 30, 2012

	<u>2012</u>
Cash Flows From Operating Activities	
Change in Net Assets	\$ (864,253)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Assets	
Issue Costs	(816,612)
Increase (Decrease) in Liabilities	
Accounts Payable	442,802
Due to Charter School	<u>629,642</u>
Total Adjustments	<u>255,832</u>
Net Cash Provided by Operating Activities	<u>(608,421)</u>
Cash Flows From Investing Activities	
Purchase of Fixed Assets	<u>(5,741,976)</u>
Net Cash Used in Investing Activities	<u>(5,741,976)</u>
Cash Flows From Financing Activities	
Proceeds from Long Term Debt	<u>24,071,601</u>
Net Cash Provided By Financing Activities	<u>24,071,601</u>
Net Increase in Cash	17,721,204
Cash, Beginning of Year	<u>-</u>
Cash, Ending of Year	<u>\$ 17,721,204</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 891,004</u>
Supplemental Disclosure of Noncash Investing and Financing Activities	

The accompanying notes are integral part of the financial statements.

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Organization operates as a non-profit organization established under the laws of the Commonwealth of Pennsylvania.

The Organization was organized as a non-profit corporation in the year 2011 to support the Mariana Bracetti Academy Charter School located in Philadelphia, Pennsylvania, as well as supporting other charitable and community activities. It is a component unit of Mariana Bracetti Academy Charter School.

Basis of Accounting

The Organization maintains its records on the accrual basis for both financial statement and tax return purposes and, accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently or temporarily restricted net assets as of the year ended June 30, 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of financial position and statement of cash flows, the Organization considers all highly liquid instruments with a maturity of three months or less to be considered cash equivalents.

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and Amortization

Building and improvements are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method. Generally, buildings have a life of forty years. Leasehold improvements are carried at cost less accumulated amortization. Amortization is provided using the straight-line method, generally, between five to forty years. Depreciation and amortization expenses for the year ended June 30, 2012 were \$0 due to the assets capitalized not being placed into service until June 30, 2012.

Income Taxes

The Company is a non-profit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 2: PROPERTY

Property consisted of the following at June 30, 2012:

	<u>2012</u>
Buildings and Improvements	\$ 3,100,587
Less Accumulated Depreciation	<u> -</u>
Total Depreciable Property	3,100,587
Construction In Progress	2,297,321
Land	<u> 344,068</u>
Total Property	<u>\$ 5,741,976</u>

NOTE 3: LONG TERM DEBT

In 2012, the Organization borrowed \$24,740,000 for improvements and purchase of a new building. The note is payable in monthly payments of principal and interest of approximately \$2,040,000 bearing interest ranging from 1.5 – 7.25%. The balance payable on the note was \$24,740,000 at June 30, 2012. The note matures in June 2024. The Organization had no long term liabilities as of June 30, 2011.

BRAZO DE ORO CHILDREN'S FOUNDATION
(A COMPONENT UNIT OF MARIANA BRACETTI ACADEMY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 3: LONG TERM DEBT (CONTINUED)

Following are principal maturities on long-term debt for each of the next five years and thereafter as of June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ -
2014	255,000
2015	275,000
2016	290,000
2017	310,000
Thereafter	<u>23,610,000</u>
	<u>\$ 24,740,000</u>

Interest expense, net of interest capitalized on construction in process of \$0, amounted to \$891,004 for the year ended June 30, 2012. Brazo de Oro has specific financial debt covenants regarding their long term debt. At June 30, 2012, all covenants were met.

NOTE 4: RELATED PARTY TRANSACTIONS

The School makes and receives advances in the normal course of operations from a related non-profit corporation, Brazo de Oro Children's Foundation, which provides support for the School. The amount due to the School, as of June 30, 2012, was \$629,642.

NOTE 5: CONCENTRATION OF CREDIT RISK

The Organization maintains an account at an institution that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of deposits in excess of the FDIC limit totaled \$17,481,048 as of June 30, 2012.

NOTE 6: MANAGEMENT PLANS

The school, along with its Foundation, borrowed approximately 24.4 million in December 2011 and is presently in the process of renovating the former Northeast Catholic High School building located on Torredale Avenue just east of Kensington Avenue. The school expects to occupy the building by September 1, 2013 for the 2013 – 2014 school year. In addition, the school will pay the foundation monthly rent which will fund the debt service payments and get Brazo de Oro out of its deficit in future years.

NOTE 7: SUBSEQUENT EVENTS

Subsequent events have been evaluated for Brazo de Oro Children's Foundation through the date of the report, January 25, 2013. The financial statements of Brazo de Oro Children's Foundation for the year ended June 30, 2012 were issued as of January 25, 2013.