

**UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)**

**Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2017 and 2016



UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)
For the Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University Prep Charter High School

Report on the Financial Statements

We have audited the accompanying financial statements of University Prep Charter High School, (formerly Green Dot New York Charter School), (the "School"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditor's 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, and the standards applicable to financial audits contained in *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 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 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

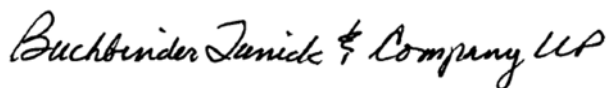
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Prep Charter High School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on page 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the School's 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of University Prep Charter High School'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University Prep Charter High School's internal control over financial reporting and compliance.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 30, 2017

UNIVERSITY PREP CHARTER HIGH SCHOOL
(Formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Statements of Financial Position
June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Assets: | | |
| Cash and cash equivalents | \$ 2,457,746 | \$ 1,960,396 |
| Grants receivable | 237,341 | 332,852 |
| Other receivables | - | 16,323 |
| Prepaid expenses | 59,749 | 61,080 |
| Furniture and equipment, net | <u>259,275</u> | <u>349,464</u> |
| Total assets | <u>\$ 3,014,111</u> | <u>\$ 2,720,115</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 160,032 | \$ 185,648 |
| Accrued payroll and payroll taxes | 730,895 | 750,784 |
| Accrued sick and vacation pay | <u>153,544</u> | <u>234,238</u> |
| Total liabilities | <u>1,044,471</u> | <u>1,170,670</u> |
| Net assets: | | |
| Unrestricted | 1,861,805 | 1,476,000 |
| Temporarily restricted | <u>107,835</u> | <u>73,445</u> |
| Total net assets | <u>1,969,640</u> | <u>1,549,445</u> |
| Total liabilities and net assets | <u>\$ 3,014,111</u> | <u>\$ 2,720,115</u> |

See notes to financial statements.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(Formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Statements of Activities
For the years ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|
| | Total | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted |
| Revenue: | | | | | | |
| Local per pupil operating revenue | \$ 6,896,378 | \$ 6,896,378 | \$ - | \$ 6,341,865 | \$ 6,341,865 | \$ - |
| Government grants | 213,235 | - | 213,235 | 245,223 | - | 245,223 |
| Contributions | - | - | - | - | - | - |
| Fundraising | 16,439 | 16,439 | - | 4,938 | 4,938 | - |
| Interest income | 5,166 | 5,166 | - | 5,046 | 5,046 | - |
| Other income | - | - | - | 4,939 | 4,939 | - |
| Net assets released from purpose restrictions | - | 178,845 | (178,845) | - | 205,841 | (205,841) |
| Total operating revenue | <u>7,131,218</u> | <u>7,096,828</u> | <u>34,390</u> | <u>6,602,011</u> | <u>6,562,629</u> | <u>39,382</u> |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Regular Education | 5,155,506 | 5,155,506 | - | 5,283,684 | 5,283,684 | - |
| Special Education | 612,585 | 612,585 | - | 737,132 | 737,132 | - |
| Supporting services: | | | | | | |
| Management and general | 942,932 | 942,932 | - | 880,683 | 880,683 | - |
| Fundraising | - | - | - | - | - | - |
| Total expenses | <u>6,711,023</u> | <u>6,711,023</u> | <u>-</u> | <u>6,901,499</u> | <u>6,901,499</u> | <u>-</u> |
| Change in net assets | 420,195 | 385,805 | 34,390 | (299,488) | (338,870) | 39,382 |
| Net assets: | | | | | | |
| Beginning of year | <u>1,549,445</u> | <u>1,476,000</u> | <u>73,445</u> | <u>1,848,933</u> | <u>1,814,870</u> | <u>34,063</u> |
| End of year | <u>\$ 1,969,640</u> | <u>\$ 1,861,805</u> | <u>\$ 107,835</u> | <u>\$ 1,549,445</u> | <u>\$ 1,476,000</u> | <u>\$ 73,445</u> |

See notes to financial statements.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(Formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Statements of Cash Flows
For the years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 420,195 | \$ (299,488) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 127,660 | 158,075 |
| (Increase) decrease in operating assets: | | |
| Grants receivable | 95,511 | (82,806) |
| Other receivables | 16,323 | 3,136 |
| Prepaid expenses | 1,331 | (316) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (25,616) | 22,794 |
| Accrued payroll and payroll taxes | (19,889) | 133,024 |
| Accrued sick and vacation pay | <u>(80,694)</u> | <u>2,668</u> |
| Net cash provided by (used in) operating activities | <u>534,821</u> | <u>(62,913)</u> |
| Cash flows from investing activities: | | |
| Additions to furniture and equipment | <u>(37,471)</u> | <u>(36,547)</u> |
| Net cash (used in) investing activities | <u>(37,471)</u> | <u>(36,547)</u> |
| Net increase (decrease) in cash and cash equivalents | 497,350 | (99,460) |
| Cash and cash equivalents: | | |
| Beginning of year | <u>1,960,396</u> | <u>2,059,856</u> |
| End of year | <u>\$ 2,457,746</u> | <u>\$ 1,960,396</u> |

See notes to financial statements.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Nature of Organization

The University Prep Charter High School (formerly Green Dot New York Charter School), (the "School"), was formed under an education corporation that operates charter schools in the borough of the Bronx, New York City. On January 15, 2008, the Board of Regents of the University of the State of New York for and on behalf of the Education Department of the State of New York granted the School a provisional charter valid for a term of five years from the effective date of January 15, 2008, and renewable upon expiration. On February 26, 2013, the Charter School's Committee approved a renewal for a full term of five years through July 31, 2018.

On April 18, 2012, the Board of Trustees passed a resolution which transferred the management of the School from Green Dot Public Schools to the Future is Now Schools.

The School's mission is to prepare all students to achieve academic and personal excellence and to graduate students fully prepared for a demanding secondary education, and to help prepare students for meaningful lives as full democratic citizens in a free society.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The School reports 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.

Net Assets

Unrestricted net assets are not restricted by donors/grantors, or the donor/grantor-imposed restrictions have expired.

Temporarily restricted net assets contain donor/grantor-imposed restrictions that permit the School to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the School.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. As of June 30, 2017 and 2016, the School did not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are reclassified to unrestricted net assets and reported as released from restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

Grants Receivable

Unconditional grants receivable are recognized as revenue in the period in which the grant is awarded. Conditional grants receivable are recognized when the conditions on which they depend are substantially met.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment is recorded at cost except for assets acquired in accordance with government contracts, which are recorded as expenses of such contracts because the government agency retains title to the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to seven years.

Contributions and Grants

Contributions and grant revenue received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from purpose restrictions.

Revenue from the local government resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Promises to Give

Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give are recognized in the period received.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Subsequent Events

The School has evaluated subsequent events and transactions through October 30, 2017, the date that the financial statements were available to be issued.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(Formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 3 - Furniture and Equipment

Furniture and equipment at June 30, 2017 and 2016 consisted of:

| | 2017 | 2016 |
|--|-------------|-------------|
| Classroom and office furniture | \$ 259,433 | \$ 259,433 |
| Classroom and office computers and equipment | 1,284,999 | 1,247,528 |
| | 1,544,432 | 1,506,961 |
| Less: accumulated depreciation | (1,285,157) | (1,157,497) |
| Furniture and equipment, net | \$ 259,275 | \$ 349,464 |

During the years ended June 30, 2017 and 2016, depreciation expense amounted to \$127,660 and \$158,075, respectively.

Note 4 - Temporarily Restricted Net Assets

At June 30, 2017 and 2016, temporarily restricted net assets were available for the following purposes:

| | 2017 | 2016 |
|--|------------|-----------|
| Temporarily restricted: | | |
| Title I Grant - NYS Department of Education 9/1/16 - 8/31/17 | \$ 107,835 | \$ - |
| Title I Grant - NYS Department of Education 9/1/15 - 8/31/16 | - | 73,445 |
| Total temporarily restricted net assets | \$ 107,835 | \$ 73,445 |

The School has adopted investment and spending policies for endowment assets (donor-restricted and board-designated) that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2017 and 2016, the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

Effective September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

UNIVERSITY PREP CHARTER HIGH SCHOOL
(formerly GREEN DOT NEW YORK CHARTER SCHOOL)
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 5 - Pension Plan

Effective in fiscal year 2010, the School began contributing to the Teachers Retirement System, a defined contribution plan. The total amounts contributed for the years ended June 30, 2017 and 2016 were \$710,248 and \$451,250, respectively.

Note 6 - Concentrations

Credit Risk

The School maintains cash balances at a banking institution. Accounts are insured by the Federal Deposit Insurance Corporation. The School does not anticipate any risk problems.

Significant Funding

The School has entered into service contracts and grant agreements with New York State and New York City government agencies that are subject to business risks associated with the economy and administrative directives, rules and regulations that are subject to change. A significant reduction in revenue from these various governmental agency contracts would have an adverse effect on the School's operations.

Note 7 - Tax Status

The School has been determined by the Internal Revenue Service (the "IRS") to be exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2017, the School's Form 990s for the years 2013 through 2017 remain eligible for examination by the IRS.

UNIVERSITY PREP CHARTER HIGH SCHOOL
(Formerly GREEN DOT NEW YORK CHARTER SCHOOL)
(Supplemental Schedules)
Schedules of Functional Expenses
For the years ended June 30, 2017 and 2016

| | 2017 | | | | | 2016 | | | | |
|-------------------------------------|---------------------|-------------------|------------------------|-------------|---------------------|---------------------|-------------------|------------------------|-------------|---------------------|
| | Program Services | | Supporting Services | | | Program Services | | Supporting Services | | |
| | Regular Education | Special Education | Management and General | Fundraising | Total | Regular Education | Special Education | Management and General | Fundraising | Total |
| Salaries | \$ 3,435,794 | 415,189 | \$ 328,092 | \$ - | \$ 4,179,075 | \$ 3,570,905 | 516,103 | \$ 285,201 | \$ - | \$ 4,372,209 |
| Payroll taxes | 267,523 | 32,439 | 25,730 | - | 325,691 | 274,264 | 39,882 | 22,127 | - | 336,273 |
| Employee benefits | 1,077,302 | 130,630 | 103,612 | - | 1,311,544 | 990,356 | 144,012 | 79,899 | - | 1,214,267 |
| Provision for sick and vacation pay | - | - | - | - | - | 2,309 | 35 | 324 | - | 2,668 |
| Classroom textbooks and supplies | 44,015 | 6,623 | - | - | 50,638 | 71,843 | 8,143 | - | - | 79,986 |
| Classroom furniture and equipment | 25,987 | 3,911 | - | - | 29,898 | 25,351 | 2,873 | - | - | 28,224 |
| Office furniture and equipment | - | - | 1,897 | - | 1,897 | - | - | 6,267 | - | 6,267 |
| Consulting | - | - | 206,818 | - | 206,818 | - | - | 215,170 | - | 215,170 |
| Financial management services | - | - | 140,000 | - | 140,000 | - | - | 140,749 | - | 140,749 |
| School uniforms | 9,285 | 1,397 | - | - | 10,682 | 6,128 | 695 | - | - | 6,823 |
| Insurance | 22,348 | 2,711 | 42,822 | - | 67,881 | 19,791 | 2,879 | 38,162 | - | 60,832 |
| Telephone | 53,578 | 6,497 | 5,153 | - | 65,228 | 48,537 | 7,058 | 3,916 | - | 59,511 |
| Meetings and conferences | - | - | 30,935 | - | 30,935 | - | - | 29,093 | - | 29,093 |
| Auditing | - | - | 29,500 | - | 29,500 | - | - | 28,750 | - | 28,750 |
| Teacher recruitment | 4,620 | 560 | 444 | - | 5,624 | 3,855 | 561 | 310 | - | 4,726 |
| Printing and copying | 18,853 | 2,286 | 1,813 | - | 22,952 | 11,119 | 1,617 | 897 | - | 13,633 |
| Office supplies | - | - | 16,997 | - | 16,997 | - | - | 15,023 | - | 15,023 |
| Postage | 7,229 | 877 | 695 | - | 8,801 | 5,174 | 752 | 418 | - | 6,344 |
| Teachers' discretionary | - | - | - | - | - | 4,596 | 668 | 371 | - | 5,635 |
| Student trips | 23,523 | 3,540 | - | - | 27,063 | 10,954 | 1,242 | - | - | 12,196 |
| Student transportation | - | - | - | - | - | 8,115 | 920 | - | - | 9,035 |
| Food service | 5,184 | 780 | - | - | 5,964 | 5,910 | 670 | - | - | 6,580 |
| Repairs and maintenance | - | - | 4,332 | - | 4,332 | - | - | 4,258 | - | 4,258 |
| Payroll processing | 2,757 | 334 | 265 | - | 3,357 | 2,794 | 406 | 226 | - | 3,426 |
| Student testing materials | 7,142 | 1,075 | - | - | 8,217 | 6,327 | 717 | - | - | 7,044 |
| Student services | 20,082 | 3,022 | - | - | 23,104 | 51,356 | 5,821 | - | - | 57,177 |
| Depreciation | 124,399 | - | 3,261 | - | 127,660 | 149,707 | - | 8,368 | - | 158,075 |
| Miscellaneous | 5,885 | 714 | 566 | - | 7,165 | 14,293 | 2,078 | 1,154 | - | 17,525 |
| Total expenses | \$ 5,155,506 | \$ 612,585 | \$ 942,932 | \$ - | \$ 6,711,023 | \$ 5,283,684 | \$ 737,132 | \$ 880,683 | \$ - | \$ 6,901,499 |

See independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
University Prep Charter High School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University Prep Charter High School (formerly Green Dot New York Charter School), (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered University Prep Charter High School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Prep Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of University Prep Charter High School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Prep Charter High School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 30, 2017