

**UNIVERSITY PREPARATORY CHARTER
SCHOOL FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
University Preparatory Charter School for Young Men
Rochester, New York

We have audited the accompanying financial statements of University Preparatory Charter School for Young Men (a nonprofit organization), which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of cash flows for the years then ended, the statements of activities and functional expenses for the year ended June 30, 2018, 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 audit 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

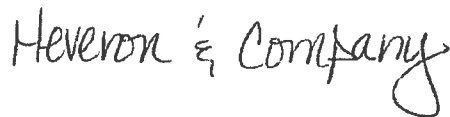
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Preparatory Charter School for Young Men as of June 30, 2018 and 2017, and its cash flows for the years then ended, and the changes in net assets and functional expenses for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited University Preparatory Charter School for Young Men's statements of activities and functional expenses for the year ended June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018 on our consideration of University Preparatory Charter School for Young Men'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 solely 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 effectiveness of University Preparatory Charter School for Young Men's 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 Preparatory Charter School for Young Men's internal control over financial reporting and compliance.



Heveron & Company
Certified Public Accountants

Rochester, New York
September 20, 2018

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
BALANCE SHEETS
June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 3,849,891	\$ 3,086,437
Certificates of Deposit	232,712	400,000
Accounts Receivable	25,683	10,708
Grants Receivable	<u>118,279</u>	<u>194,179</u>
 Total Current Assets	 <u>4,226,565</u>	 <u>3,691,324</u>
<u>Property and Equipment</u>		
Building and Improvements	5,367,465	5,367,465
Furniture and Fixtures	618,936	587,143
Vehicles	47,222	47,222
Less: Accumulated Depreciation	<u>(1,522,907)</u>	<u>(1,152,604)</u>
 Net Property and Equipment	 <u>4,510,716</u>	 <u>4,849,226</u>
 TOTAL ASSETS	 <u>\$ 8,737,281</u>	 <u>\$ 8,540,550</u>

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 31,080	\$ 66,960
Accrued Payroll and Payroll Taxes	<u>16,304</u>	<u>14,847</u>
 Total Liabilities	 <u>47,384</u>	 <u>81,807</u>
 <u>Net Assets</u>		
Unrestricted	8,682,397	8,424,958
Temporarily Restricted	<u>7,500</u>	<u>33,785</u>
 Total Net Assets	 <u>8,689,897</u>	 <u>8,458,743</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,737,281</u>	 <u>\$ 8,540,550</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Temporarily	<u>Totals</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2018</u>	<u>2017</u>
<u>Revenue and Other Support</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$4,825,657	\$ -	\$ 4,825,657	\$ 4,830,861
Revenue - Students with Disabilities	435,921	-	435,921	684,917
Special Charter School Aid	-	-	-	163,507
Federal Grants	362,335	-	362,335	504,857
State Grants	16,238	-	16,238	25,000
Other Grants and Contributions	1,702	-	1,702	177,564
Food Service Income	305,894	-	305,894	302,094
Other Income	32,963	-	32,963	17,037
Released from Restrictions	<u>26,285</u>	<u>(26,285)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>6,006,995</u>	<u>(26,285)</u>	<u>5,980,710</u>	<u>6,705,837</u>
<u>Expenses</u>				
Program Expenses:				
Regular Education	4,508,262	-	4,508,262	4,896,268
Special Education	457,232	-	457,232	344,150
Food Services	<u>307,454</u>	<u>-</u>	<u>307,454</u>	<u>341,284</u>
Total Program Expenses	<u>5,272,948</u>	<u>-</u>	<u>5,272,948</u>	<u>5,581,702</u>
Supporting Services:				
Management and General	<u>476,608</u>	<u>-</u>	<u>476,608</u>	<u>515,291</u>
Total Expenses	<u>5,749,556</u>	<u>-</u>	<u>5,749,556</u>	<u>6,096,993</u>
Change in Net Assets	257,439	(26,285)	231,154	608,844
Net Assets - Beginning of Year	<u>8,424,958</u>	<u>33,785</u>	<u>8,458,743</u>	<u>7,849,899</u>
Net Assets - End of Year	<u>\$8,682,397</u>	<u>\$ 7,500</u>	<u>\$ 8,689,897</u>	<u>\$ 8,458,743</u>

See Independent Auditors' Report and Notes to Financial Statements.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	2018 No. of Positions	Program Services			Management and General	Totals	
		Regular Education	Special Education	Food Services		2018	2017
Personnel Service Costs							
Instructional Personnel	48	\$ 2,398,139	\$ 300,547	\$ -	\$ -	\$ 2,698,686	\$ 2,860,491
Non-Instructional Personnel	9	186,123	-	74,363	7,837	268,323	275,551
Administrative Personnel	18	378,093	-	-	310,985	689,078	698,607
Total Salaries and Wages	75	2,962,355	300,547	74,363	318,822	3,656,087	3,834,649
Fringe Benefits and Payroll Taxes		543,748	55,166	13,650	58,520	671,084	704,418
Retirement		174,204	17,674	4,373	18,749	215,000	236,593
Total Personnel Services		3,680,307	373,387	92,386	396,091	4,542,171	4,775,660
Depreciation		317,679	34,109	3,703	14,812	370,303	349,854
Other Purchased Services		205,744	17,236	-	14,598	237,578	280,867
Food		-	-	190,683	-	190,683	203,118
Utilities		86,348	9,271	1,007	4,026	100,652	92,799
Supplies		72,930	7,399	12,297	-	92,626	136,689
Office Expense		35,569	3,609	-	24,597	63,775	48,600
Student Services		50,700	5,144	-	-	55,844	83,831
Insurance		19,405	2,084	226	4,511	26,226	21,467
Repairs and Maintenance		21,832	2,344	255	1,017	25,448	39,527
Occupancy Expense		5,366	1,311	6,897	661	14,235	17,949

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)
(Continued)**

	Program Services			Management and General	Totals	
	Regular Education	Special Education	Food Services		2018	2017
Accounting	-	-	-	11,025	11,025	13,839
Marketing	9,710	985	-	-	10,695	7,968
Other Expenses	270	27	-	4,441	4,738	4,118
Technology	2,183	304	-	829	3,316	13,166
Staff Development	219	22	-	-	241	5,991
Legal	-	-	-	-	-	1,550
Total Expenses	<u>\$ 4,508,262</u>	<u>\$ 457,232</u>	<u>\$ 307,454</u>	<u>\$ 476,608</u>	<u>\$ 5,749,556</u>	<u>\$ 6,096,993</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 5,200,477	\$ 5,622,945
Federal and State Grant Receipts	445,582	650,827
Food Service Fees	305,895	321,738
Other Grants and Contributions	8,360	183,814
Miscellaneous Sources	32,963	17,037
Payments to Charter School Personnel for Services Rendered	(4,540,714)	(4,762,721)
Payments to Vendors for Goods and Services Rendered	<u>(824,604)</u>	<u>(991,026)</u>
Net Cash Flow Provided By Operating Activities	<u>627,959</u>	<u>1,042,614</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	(31,793)	(591,476)
Proceeds from Certificates of Deposit	400,000	-
Purchase of Certificates of Deposit	<u>(232,712)</u>	<u>(400,000)</u>
Cash Flow Provided/(Used) By Investing Activities	<u>135,495</u>	<u>(991,476)</u>
 Net Increase in Cash and Cash Equivalents	763,454	51,138
 Cash and Cash Equivalents - Beginning of Year	<u>3,086,437</u>	<u>3,035,299</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 3,849,891</u>	<u>\$ 3,086,437</u>

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS**

For The Years Ended June 30, 2018 and 2017

(Continued)

	2018	2017
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 231,154	\$ 608,844
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	370,303	349,854
(Increase)/Decrease In:		
Accounts Receivable	(14,975)	68,083
Grants Receivable	75,900	(35,572)
Prepaid Expenses	-	66,714
Increase/(Decrease) In:		
Accounts Payable	(35,880)	(28,247)
Accrued Payroll and Payroll Taxes	1,457	12,938
Net Cash Flows Provided By Operating Activities	<u>\$ 627,959</u>	<u>\$ 1,042,614</u>

See Independent Auditors' Report and Notes to Financial Statements.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

University Preparatory Charter School for Young Men (the School) is a nonprofit educational organization in Rochester, New York. It was formed to be a small school for young men with personalized attention for each student. The School provides a safe and secure learning environment where respect and compassion are values for adults and students for grades 7-12. The School obtains its support directly and indirectly from organizations and government agencies in the community.

The main programs of the School are as follows:

REGULAR EDUCATION: The School curriculum encourages and promotes young men to be involved, to be active in their learning, and to learn together. The School provides preparation not just for graduation, but for success in college. It is also a place for young men to play sports and engage in exciting, healthy, extracurricular activities. All courses align with the New York State Learning Standards.

SPECIAL EDUCATION: In accordance with the Individuals with Disabilities Education Act, the Rehabilitation Act, and Section 504, and the Americans with Disabilities Act, the School provides a free and appropriate education, in the least restrictive environment, to students with disabilities. The primary service delivery for students with special needs is inclusion. For students requiring supplemental services, the School has employees on staff to provide the required services outlined in the student's Individual Education Plan or 504 Plan.

FOOD SERVICES: The School believes that healthy meals are an important part of a child's day. Breakfast and lunch are served every day. All meals are intended to meet the required New York State Child Nutrition Standards, and the School subscribes to the New York State free and reduced priced meal program.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

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 the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018
(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Basis of Presentation (Continued)

The School also records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America allow the School to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The School has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

The following are descriptions of the School's net asset classifications:

Unrestricted: Unrestricted net assets include undesignated resources that are available for the general support of the School's operations.

Temporarily Restricted Net Assets: Temporarily restricted net assets result from contributions subject to donors' restrictions that expire with the passage of time or by actions of the School.

When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There was \$7,500 and \$33,785 of temporarily restricted net assets restricted for the career and technical education center and program as of June 30, 2018 and June 30, 2017, respectively.

There were no permanently restricted net assets as of June 30, 2018 or 2017.

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

Accounts and Grants Receivable

Receivables are stated at the amount management expects to collect. Amounts that management believes to be uncollectible after collection efforts have been completed are written off. In addition, management evaluates the need for, and if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2018 and 2017.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018
(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Revenue Recognition

A portion of the School's revenue is derived from grants. Amounts received, but not yet earned are reported as deferred revenue.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the School with the terms of the grants and contracts. The School records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Contributions

Contributions are recorded at the time of receipt or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted, unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Property and Equipment

Property and equipment are stated at cost. The School capitalizes property and equipment with a cost of over \$1,000 and an estimated life of three or more years. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows.

	<u>Years</u>
Building and Improvements	20
Furniture and Fixtures	3-5
Vehicles	5

Depreciation expense amounted to \$370,303 and \$349,854 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

The Internal Revenue Service has determined that the School is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018
(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and in banks, which at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Cash and cash equivalents consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Checking	\$ 568,271	\$ 2,394,859
Savings and Money Market	3,281,620	491,578
Certificate of Deposit	<u>-</u>	<u>200,000</u>
Total	<u>\$ 3,849,891</u>	<u>\$ 3,086,437</u>

Advertising

Advertising costs are expensed as incurred.

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services, and management and general. An immaterial amount of fund raising costs for the years ended June 30, 2018 and 2017 are included in management and general expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018
(Continued)**

NOTE 2 - EMPLOYEE BENEFIT PLAN

The School has a 403(b) retirement plan. Eligible employees can make contributions to the plan. Employees are fully and immediately vested in all contributions. The School will make non-elective contributions at the Board's discretion. Employer contributions for the years ended June 30, 2018 and 2017 were \$215,000 and \$236,593, respectively.

NOTE 3 - DONATED SERVICES AND GOODS

The School receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During 2018 and 2017, 10 and 8 active volunteers provided 240 and 192 hours of service, respectively.

NOTE 4 - SPECIAL EDUCATION AND OTHER SUPPORT

Some of the special education services required by students of the School are provided by the Rochester City School District. The Rochester City School District also provides transportation. The School was unable to determine a value for these services; thus, these financial statements do not reflect revenue or expenses associated with those services.

Additionally, the School does provide certain special education services with its own staff and facilities.

The School also receives State Aid in the form of textbooks, computer hardware, computer software, and library materials through the Rochester City School District. The total aid received for the year ended June 30, 2018 was \$16,238. There was no aid received for the year ended June 30, 2017.

NOTE 5 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2018, which is the date the statements were available for issuance.



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*

Independent Auditors' Report

To the Board of Trustees
University Preparatory Charter School for Young Men
Rochester, NY

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 Preparatory Charter School for Young Men which comprise the balance sheet as of June 30, 2018, and the related statements of activities and functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered University Preparatory Charter School for Young Men'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Preparatory Charter School for Young Men's internal control. Accordingly, we do not express an opinion on the effectiveness of University Preparatory Charter School for Young Men'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.

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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. We did identify a certain deficiency in internal controls, described in the accompanying Schedule of Findings and Responses, that we consider to be a significant deficiency (2018-001).

Compliance and Other Matters

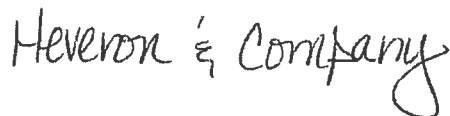
As part of obtaining reasonable assurance about whether University Preparatory Charter School for Young Men's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could 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*.

University Preparatory Charter School for Young Men's Response to Findings

University Preparatory Charter School for Young Men's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. University Preparatory Charter School for Young Men's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.



Heveron & Company
Certified Public Accountants

Rochester, New York
September 20, 2018

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018

Finding 2018-001

Condition: This year there were two material audit adjustments made to receivables and grant revenue.

Criteria: Financial reports should contain all necessary information for the board to assess financial health and make financial decisions.

Cause: There are not procedures in place to verify that revenue and receivables have been properly adjusted.

Effect: There were adjustments to receivables and grant revenue at the time of the audit.

Recommendation: The Organization should consider outside accounting assistance to review quarterly and year-end financial statements.

Views of responsible officials and planned corrective actions:

University Preparatory Charter School for Young Men agrees with the finding and will seek assistance from a member of the finance committee or an outside contractor.



Auditors' Communications

August 6, 2018

To The Board of Trustees
University Preparatory Charter School for Young Men
1290 Lake Avenue
Rochester, NY 14613

Dear Board Members:

This letter is intended only for the board and those responsible for management and governance. It includes key findings and recommendations from our recently completed audit. Although we do have some internal control observations, we did not perform an examination of your internal control that would allow us to give an opinion on the adequacy of your controls. We welcome and encourage your response.

Those charged with management and governance are responsible for:

- safeguarding your assets,
- ensuring that your resources are used as directed by funders, donors, and as required by charities laws and your own articles of incorporation,
- assuring that you are complying with laws, regulations, contracts and grants associated with your funding,
- properly recording and reporting results of operations and account balances, and
- proper business practices, operating procedures, documentation and controls.

Our audit was designed to help you with those responsibilities, and is also designed and intended to help you to benchmark your administrative operations to best practices.

Our Responsibilities to You

As part of our audit we are required to inform you of significant deficiencies and material weaknesses in your controls that we become aware of.

Controls are procedures, policies, and responsibilities that you put in place to make sure that appropriate transactions take place and are reported properly on your financial statements. Examples of controls are timely billing for services you perform, ensuring proper payments are received and recorded, and measures to prevent overpayment of payroll or vendors.

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Control deficiencies result when proper procedures are not in place to assure that appropriate transactions are carried out, recorded and reported properly.

Significant deficiencies are control deficiencies or combinations of control deficiencies that are less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

Material weaknesses are significant deficiencies or combinations of significant deficiencies 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.

The Role of Internal Controls

Internal controls are managements' standards to safeguard your assets. They include the following components:

- Setting expectations of integrity and ethical conduct, with actions such as proper hiring and training,
- Assessing risks based on your operations and your staffing,
- Establishing control activities, such as separation of responsibilities, to reduce risks,
- Communications from senior management to all involved staff about internal controls, and
- Monitoring - ongoing evaluation of whether controls are appropriate and are working.

General Observations

Our general observations are that:

- We have become aware of a matter that we consider to be a significant deficiency. It is described below.
- Your recordkeeping system is appropriate for your financial recording and reporting needs, including allocation of revenue and expense to various programs.
- Recordkeeping appears to be done in a timely, complete and conscientious manner, although some audit adjustments were required to correct some account balances.
- Internal controls are good given your staff size.
- The attitude of management regarding the importance of proper systems and controls seems appropriate.
- We did not have disagreements with management in connection with our audits or difficulties in performing the audits, and to our knowledge, management did not consult with other CPAs about audit issues.
- We did not become aware of fraud or illegal acts, and there were no significant financial statement adjustments or unusual transactions.
- No material accounting adjustments were left unrecorded.
- There were no major changes in accounting policies and procedures or in estimating for things such as the useful lives of equipment items, bad debts or functional allocations.

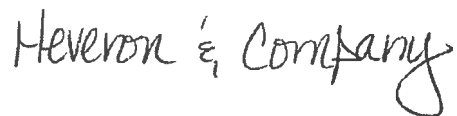
Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider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

Significant Deficiency:

- The accounting for the School was vastly improved this year. However, there are still some important areas that needed adjustment, including accounts receivable and revenue. There should be a process to ensure the underlying expenses and revenue recorded is proper. These procedures should aid in uncovering any errors and adjusting them so that you have accurate financial statements to review throughout the year.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in cursive script that reads "Heveron & Company". The signature is written in black ink and is positioned below the word "Sincerely,".

Heveron & Company CPAs