

**UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)**

Combined and Combining Financial Statements

For the Years Ended June 30, 2020 and 2019



**UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combined and Combining Financial Statements
For the Years Ended June 30, 2020 and 2019**

INDEX

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Combined Statements of Financial Position	3
Combining Statements of Activities	4-5
Combining Statements of Functional Expenses	6-7
Combined Statements of Cash Flows	8
Notes to Financial Statements	9-15
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 <i>Government Auditing Standards</i>	16-17



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University Prep Public Charter Schools

Report on the Financial Statements

We have audited the accompanying combined and combining financial statements of University Prep Public Charter Schools (formerly University Prep Charter High School) (the "School"), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combining statements of activities and functional expenses and combined statement of 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 combined and combining 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 combined and combining 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.

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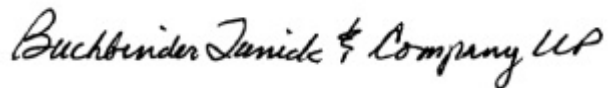
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Opinion

In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of University Prep Public Charter Schools (formerly University Prep Charter High School) as of June 30, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, 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 Public Charter Schools' (formerly University Prep Charter High School) internal control over financial reporting and compliance.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 29, 2020

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combined Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 2,735,438	\$ 2,273,386
Restricted cash	75,906	75,748
Grants and other receivables	848,131	521,898
Prepaid expenses	4,608	99,544
Property assets, net	<u>633,413</u>	<u>240,122</u>
Total assets	<u>\$ 4,297,496</u>	<u>\$ 3,210,698</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 393,808	\$ 210,746
Accrued payroll and payroll taxes	1,133,137	768,369
Accrued sick and vacation pay	<u>257,303</u>	<u>229,664</u>
Total liabilities	<u>1,784,248</u>	<u>1,208,779</u>
Net assets:		
Without donor restrictions	2,454,301	1,955,805
With donor restrictions	<u>58,947</u>	<u>46,114</u>
Total net assets	<u>2,513,248</u>	<u>2,001,919</u>
Total liabilities and net assets	<u>\$ 4,297,496</u>	<u>\$ 3,210,698</u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combining Statement of Activities
For the year ended June 30, 2020

	High School			Middle School			Total		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenue:									
Local per pupil operating revenue - resident student enrollment	\$ 7,129,837	\$ 7,129,837	\$ -	\$ 2,499,419	\$ 2,499,419	\$ -	\$ 9,629,256	\$ 9,629,256	\$ -
Local per pupil operating revenue - students with disabilities	587,026	587,026	-	252,309	252,309	-	839,335	839,335	-
Other grants	85,926	85,926	-	30,552	30,552	-	116,478	116,478	-
Government grants	311,667	-	311,667	418,336	-	418,336	730,003	-	730,003
Contributions	-	-	-	470,000	470,000	-	470,000	470,000	-
Fundraising	-	-	-	-	-	-	-	-	-
Interest income	5,767	5,767	-	1,888	1,888	-	7,655	7,655	-
Other income	-	-	-	-	-	-	-	-	-
Net assets released from purpose restrictions	-	312,745	(312,745)	-	404,425	(404,425)	-	717,170	(717,170)
Total operating revenue	8,120,223	8,121,301	(1,078)	3,672,504	3,658,593	13,911	11,792,727	11,779,894	12,833
Expenses:									
Program services:									
Regular education	4,870,815	4,870,815	-	2,123,550	2,123,550	-	6,994,365	6,994,365	-
Special education	1,261,631	1,261,631	-	491,094	491,094	-	1,752,725	1,752,725	-
Supporting services:									
Management and general	1,332,491	1,332,491	-	1,201,817	1,201,817	-	2,534,308	2,534,308	-
Fundraising	-	-	-	-	-	-	-	-	-
Total expenses	7,464,937	7,464,937	-	3,816,461	3,816,461	-	11,281,398	11,281,398	-
Change in net assets	655,286	656,364	(1,078)	(143,957)	(157,868)	13,911	511,329	498,496	12,833
Net assets:									
Beginning of year	2,274,256	2,228,142	46,114	(272,337)	(272,337)	-	2,001,919	1,955,805	46,114
End of year	\$ 2,929,542	\$ 2,884,506	\$ 45,036	\$ (416,294)	\$ (430,205)	\$ 13,911	\$ 2,513,248	\$ 2,454,301	\$ 58,947

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combining Statement of Activities
For the year ended June 30, 2019

	High School			Middle School			Total		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenue:									
Local per pupil operating revenue - resident student enrollment	\$ 6,800,714	\$ 6,800,714	\$ -	\$ -	\$ -	\$ -	\$ 6,800,714	\$ 6,800,714	\$ -
Local per pupil operating revenue - students with disabilities	387,633	387,633	-	-	-	-	387,633	387,633	-
Other grants	167,388	167,388	-	-	-	-	167,388	167,388	-
Government grants	335,282	-	335,282	-	-	-	335,282	-	335,282
Contributions	3,000	3,000	-	-	-	-	3,000	3,000	-
Fundraising	7,262	7,262	-	-	-	-	7,262	7,262	-
Interest income	9,296	9,296	-	-	-	-	9,296	9,296	-
Other income	1,338	1,338	-	-	-	-	1,338	1,338	-
Net assets released from purpose restrictions	-	446,415	(446,415)	-	-	-	-	446,415	(446,415)
Total operating revenue	7,711,913	7,823,046	(111,133)	-	-	-	7,711,913	7,823,046	(111,133)
Expenses:									
Program services:									
Regular education	5,464,601	5,464,601	-	24,093	24,093	-	5,488,694	5,488,694	-
Special education	1,096,263	1,096,263	-	4,098	4,098	-	1,100,361	1,100,361	-
	-	-	-	-	-	-	-	-	-
Supporting services:									
Management and general	1,302,573	1,302,573	-	244,146	244,146	-	1,546,719	1,546,719	-
Fundraising	-	-	-	-	-	-	-	-	-
Total expenses	7,863,437	7,863,437	-	272,337	272,337	-	8,135,774	8,135,774	-
Change in net assets	(151,524)	(40,391)	(111,133)	(272,337)	(272,337)	-	(423,861)	(312,728)	(111,133)
Net assets:									
Beginning of year	2,425,780	2,268,533	157,247	-	-	-	2,425,780	2,268,533	157,247
End of year	<u>\$ 2,274,256</u>	<u>\$ 2,228,142</u>	<u>\$ 46,114</u>	<u>\$ (272,337)</u>	<u>\$ (272,337)</u>	<u>\$ -</u>	<u>\$ 2,001,919</u>	<u>\$ 1,955,805</u>	<u>\$ 46,114</u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combining Statement of Functional Expenses
For the year ended June 30, 2020

	High School					Middle School					Total				
	Program Services		Supporting Services			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	Regular Education	Special Education	Management and General	Fundraising	Total
Salaries - instructional personnel	\$ 3,002,328	\$ 836,813	\$ -	\$ -	\$ 3,839,141	\$ 1,038,964	\$ 296,680	\$ -	\$ -	\$ 1,335,644	\$ 4,041,292	\$ 1,133,493	\$ -	\$ -	\$ 5,174,785
Salaries - administrative staff personnel	271,528	47,877	585,674	-	905,079	247,730	43,491	485,777	-	776,998	519,258	91,368	1,071,451	-	1,682,077
Payroll taxes	252,241	68,168	45,104	-	365,513	89,620	23,693	33,847	-	147,160	341,861	91,861	78,951	-	512,673
Employee benefits	962,659	260,159	172,138	-	1,394,956	280,340	74,113	105,876	-	460,329	1,242,999	334,272	278,014	-	1,855,285
Provision for sick and vacation pay	1,884	509	337	-	2,730	15,170	4,011	5,729	-	24,910	17,054	4,520	6,066	-	27,640
Classroom textbooks and supplies	51,895	4,275	-	-	56,170	84,555	8,537	-	-	93,092	136,450	12,812	-	-	149,262
Classroom furniture and equipment	60,760	5,005	-	-	65,765	47,084	4,754	-	-	51,838	107,844	9,759	-	-	117,603
Office furniture and equipment	-	-	8,627	-	8,627	-	-	6,162	-	6,162	-	-	14,789	-	14,789
Consulting	-	-	173,905	-	173,905	-	-	275,685	-	275,685	-	-	449,590	-	449,590
Financial management services	-	-	175,839	-	175,839	-	-	142,498	-	142,498	-	-	318,337	-	318,337
School uniforms	6,109	503	-	-	6,612	19,360	1,955	-	-	21,315	25,469	2,458	-	-	27,927
Insurance	19,362	5,232	42,838	-	67,432	6,835	1,807	15,787	-	24,429	26,197	7,039	58,625	-	91,861
Telephone	44,192	11,943	7,902	-	64,037	9,285	2,455	3,506	-	15,246	53,477	14,398	11,408	-	79,283
Meetings and conferences	-	-	16,625	-	16,625	-	-	15,820	-	15,820	-	-	32,445	-	32,445
Auditing	-	-	15,250	-	15,250	-	-	15,250	-	15,250	-	-	30,500	-	30,500
Teacher recruitment	1,747	472	312	-	2,531	4,689	1,240	1,771	-	7,700	6,436	1,712	2,083	-	10,231
Student recruitment	24,863	6,719	4,446	-	36,028	21,422	5,663	8,090	-	35,175	46,285	12,382	12,536	-	71,203
Printing and copying	14,800	4,000	2,646	-	21,446	7,616	2,013	2,876	-	12,505	22,416	6,013	5,522	-	33,951
Office supplies	-	-	21,953	-	21,953	-	-	60,843	-	60,843	-	-	82,796	-	82,796
Postage	5,115	1,382	915	-	7,412	204	54	77	-	335	5,319	1,436	992	-	7,747
Teachers' discretionary	2,767	748	494	-	4,009	177	47	67	-	291	2,944	795	561	-	4,300
Student trips	30,661	2,525	-	-	33,186	22,498	2,271	-	-	24,769	53,159	4,796	-	-	57,955
Student transportation	6,666	549	-	-	7,215	6,464	653	-	-	7,117	13,130	1,202	-	-	14,332
Food service	945	78	-	-	1,023	22,618	2,283	-	-	24,901	23,563	2,361	-	-	25,924
Repairs and maintenance	-	-	53,812	-	53,812	-	-	8,491	-	8,491	-	-	62,303	-	62,303
Payroll processing	2,279	616	407	-	3,302	1,758	465	664	-	2,887	4,037	1,081	1,071	-	6,189
Student testing materials	6,522	537	-	-	7,059	3,808	384	-	-	4,192	10,330	921	-	-	11,251
Student services	24,099	1,985	-	-	26,084	132,750	13,402	-	-	146,152	156,849	15,387	-	-	172,236
Depreciation	71,711	-	2,251	-	73,962	56,354	-	11,396	-	67,750	128,065	-	13,647	-	141,712
Miscellaneous	5,682	1,536	1,016	-	8,234	4,249	1,123	1,605	-	6,977	9,931	2,659	2,621	-	15,211
Total expenses	\$ 4,870,815	\$ 1,261,631	\$ 1,332,491	\$ -	\$ 7,464,937	\$ 2,123,550	\$ 491,094	\$ 1,201,817	\$ -	\$ 3,816,461	\$ 6,994,365	\$ 1,752,725	\$ 2,534,308	\$ -	\$ 11,281,398

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combining Statement of Functional Expenses
For the year ended June 30, 2020

	High School					Middle School					Total				
	Program Services		Supporting Services			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	Regular Education	Special Education	Management and General	Fundraising	Total
Salaries - instructional personnel	\$ 3,234,946	\$ 687,546	\$ -	\$ -	\$ 3,922,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,234,946	\$ 687,546	\$ -	\$ -	\$ 3,922,492
Salaries - administrative staff personnel	321,077	57,151	522,728	-	900,956	-	-	123,576	-	123,576	321,077	57,151	646,304	-	1,024,532
Payroll taxes	272,634	57,083	40,497	-	370,214	-	-	9,077	-	9,077	272,634	57,083	49,574	-	379,291
Employee benefits	1,204,188	252,129	170,526	-	1,626,843	-	-	48,432	-	48,432	1,204,188	252,129	218,958	-	1,675,275
Provision for sick and vacation pay	31,216	6,536	5,676	-	43,428	-	-	-	-	-	31,216	6,536	5,676	-	43,428
Classroom textbooks and supplies	55,221	3,288	-	-	58,509	2,873	171	-	-	3,044	58,094	3,459	-	-	61,553
Classroom furniture and equipment	29,157	1,737	-	-	30,894	1,888	112	-	-	2,000	31,045	1,849	-	-	32,894
Office furniture and equipment	-	-	2,508	-	2,508	-	-	292	-	292	-	-	2,800	-	2,800
Consulting	-	-	222,213	-	222,213	-	-	12,865	-	12,865	-	-	235,078	-	235,078
Financial management services	-	-	156,917	-	156,917	-	-	45,433	-	45,433	-	-	202,350	-	202,350
School uniforms	8,103	483	-	-	8,586	118	7	-	-	125	8,221	490	-	-	8,711
Insurance	32,312	6,765	40,735	-	79,812	-	-	-	-	-	32,312	6,765	40,735	-	79,812
Telephone	30,990	6,489	5,634	-	43,113	-	-	-	-	-	30,990	6,489	5,634	-	43,113
Meetings and conferences	-	-	44,023	-	44,023	-	-	-	-	-	-	-	44,023	-	44,023
Auditing	-	-	30,500	-	30,500	-	-	-	-	-	-	-	30,500	-	30,500
Teacher recruitment	177	37	32	-	246	313	65	57	-	435	490	102	89	-	681
Student recruitment	6,010	1,258	1,093	-	8,361	17,466	3,657	3,176	-	24,299	23,476	4,915	4,269	-	32,660
Printing and copying	11,071	2,318	2,013	-	15,402	-	-	-	-	-	11,071	2,318	2,013	-	15,402
Office supplies	-	-	32,546	-	32,546	-	-	1,238	-	1,238	-	-	33,784	-	33,784
Postage	5,369	1,124	976	-	7,469	-	-	-	-	-	5,369	1,124	976	-	7,469
Teachers' discretionary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student trips	36,226	2,157	-	-	38,383	231	14	-	-	245	36,457	2,171	-	-	38,628
Student transportation	6,229	371	-	-	6,600	-	-	-	-	-	6,229	371	-	-	6,600
Student scholarships	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food service	35	2	-	-	37	-	-	-	-	-	35	2	-	-	37
Repairs and maintenance	-	-	13,830	-	13,830	-	-	-	-	-	-	-	13,830	-	13,830
Payroll processing	3,422	717	622	-	4,761	-	-	-	-	-	3,422	717	622	-	4,761
Student testing materials	2,904	173	-	-	3,077	843	50	-	-	893	3,747	223	-	-	3,970
Student services	40,537	2,413	-	-	42,950	361	22	-	-	383	40,898	2,435	-	-	43,333
Depreciation	101,798	-	3,871	-	105,669	-	-	-	-	-	101,798	-	3,871	-	105,669
Miscellaneous	30,979	6,486	5,633	-	43,098	-	-	-	-	-	30,979	6,486	5,633	-	43,098
Total expenses	\$ 5,464,601	\$ 1,096,263	\$ 1,302,573	\$ -	\$ 7,863,437	\$ 24,093	\$ 4,098	\$ 244,146	\$ -	\$ 272,337	\$ 5,488,694	\$ 1,100,361	\$ 1,546,719	\$ -	\$ 8,135,774

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Combined Statements of Cash Flows
For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 511,329	\$ (423,861)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	141,712	105,669
(Increase) decrease in operating assets:		
Grants and other receivables	(326,233)	(209,370)
Prepaid expenses	94,937	(22,672)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	183,062	95,278
Accrued payroll and payroll taxes	364,768	86,713
Accrued sick and vacation pay	<u>27,639</u>	<u>43,427</u>
Net cash provided by (used in) operating activities	<u>997,214</u>	<u>(324,816)</u>
Cash flows from investing activities:		
(Additions) to furniture and equipment	<u>(535,004)</u>	<u>(167,179)</u>
Net cash (used in) investing activities	<u>(535,004)</u>	<u>(167,179)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	462,210	(491,995)
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>2,349,134</u>	<u>2,841,129</u>
End of year	<u><u>\$ 2,811,344</u></u>	<u><u>\$ 2,349,134</u></u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements
June 30, 2020 and 2019

Note 1 - Nature of Organization and Principles of Combination and Mission Statement

Nature of Organization

The University Prep Charter High School was formed to operate a High School (the "High School" or "Charter School") 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 High 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 24, 2018, the Charter School's Committee approved a renewal for a full term of five years through July 31, 2023.

Effective September 2019, the University Prep Charter High School launched its Middle School for Grades 5 and 6. University Prep Charter Middle School (the "Middle School") is committed to building a scholarly community that prepares all students to gain entry to and succeed at University Prep Charter High School and then in a college of their choice and beyond. The schools are operating under two separate charters. However, the schools share the same IRS EIN number and will be reported under one financial statement.

On January 6, 2020, the name of the Charter School was changed to the University Prep Public Charter Schools.

Principles of Combination

The combined and combining financial statements include the accounts of the High School and the Middle School, (collectively referred to as the "School"). All significant intercompany balances and transactions have eliminated in combination.

Mission Statement

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

The combined and combining 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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions are not restricted by donors/grantors, or the donor/grantor-imposed restrictions have expired.

Net Assets With Donor Restrictions 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.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted Cash

Under the provisions of the charter, the School has restricted the cash balance in the escrow account to pay for any legal and audit expenses that would be associated with dissolution, should it occur. The balance in the escrow account is \$75,000 plus interest earned.

Property Assets

Property assets are 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 ten years.

Contributions and Grants

Contributions and grant revenue received are recorded as net assets without donor restrictions or net assets with donor restrictions 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 net assets with donor restricted support that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose restrictions.

Local Per Pupil Operating Revenue

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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassification

Certain prior year financial statements line items and amounts have been reclassified to conform to the current year's presentation.

Functional 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. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes, and employee benefits	Time and effort
Classroom textbooks, supplies	Purpose of expenditure
Consulting	Purpose of expenditure
School uniforms, student testing materials and services	Purpose of expenditure
Meetings and conferences	Purpose of expenditure
Telephone	Time and effort
Insurance	Time and effort
Teacher and student recruitment	Time and effort
Printing and copying	Time and effort
Office supplies	Purpose of expenditure
Postage	Time and effort
Teachers' discretionary	Time and effort
Student trips, transportation, food service	Purpose of expenditure
Repairs and maintenance	Purpose of expenditure
Payroll processing	Time and effort
Depreciation	Purpose of expenditure
Miscellaneous	Time and effort

Subsequent Events

The School has evaluated subsequent events and transactions through October 29, 2020, the date that the financial statements were available to be issued.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 3 - Property Assets, Net

Property assets, net at June 30, 2020 and 2019 consisted of:

	2020	2019
Classroom and office furniture	\$ 460,055	\$ 264,760
Leasehold improvements	108,048	18,654
Classroom and office computers and equipment	1,705,218	1,454,904
	2,273,321	1,738,318
Less: accumulated depreciation	(1,639,908)	(1,498,196)
Furniture and equipment, net	\$ 633,413	\$ 240,122

During the years ended June 30, 2020 and 2019, depreciation expense amounted to \$141,712 and \$105,669, respectively.

Note 4 - Net Asset With Donor Restrictions

At June 30, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

	2020	2019
Net assets with donor restrictions:		
Title I Grant - NYS Department of Education 9/1/19 - 8/31/20	\$ 58,947	\$ -
Title I Grant - NYS Department of Education 9/1/18 - 8/31/19	-	46,114
Total net assets with donor restrictions	\$ 58,947	\$ 46,114

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, 2020 and 2019, the School's endowment assets consisted of net assets with donor restrictions invested in cash and cash equivalents.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 4 - Net Assets With Donor Restrictions (Continued)

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

Note 5 - Pension Plan

The School participates in a multiple-employer plan that provides benefits to certain contract labor covered by a collective bargaining agreement which expires September 30, 2021. The School contributed \$779,755 and \$773,062 to the Teachers’ Retirement System of the City of New York during the years ended June 30, 2020 and 2019, respectively. The most recent Pension Protection Act (“PPA”) zone status is not applicable because it is a government plan. As of the most current report on file with the City of New York’s Office of the Actuary, which is for the fiscal years ended June 30, 2020 and 2019, total plan net assets were \$59,318,950,000 and \$57,990,200,000, respectively, and the accumulated benefit obligations were \$75,115,996,676 and \$73,346,850,000, 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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2020 and 2019

Note 7 - Availability and Liquidity

Financial assets consist of the following at June 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 2,735,438	\$ 2,273,386
Grants receivable	848,131	521,898
Financial assets available to meet general expenditures over the next twelve months	\$ 3,583,569	\$ 2,795,284

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,820,000). As part of its liquidity plan, excess cash is maintained in an interest-bearing bank account at an FDIC insured institution.

Note 8 - 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, 2020, the School's Form 990s for the years 2016 through 2020 remain eligible for examination by the IRS.



**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 Trustees
University Prep Public Charter Schools

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 combined and combining financial statements of University Prep Public Charter Schools (formerly University Prep Charter High School), which comprise the combined statement of financial position as of June 30, 2020, and the related combining statements of activities, and functional expenses and combined statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined and combining financial statements, we considered University Prep Public Charter Schools' (formerly University Prep Charter High School) 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 Public Charter Schools' (formerly University Prep Charter High School) 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.

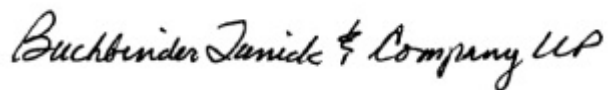
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Public Charter Schools' (formerly University Prep Charter High School) combined and combining 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

New York, NY
October 29, 2020