

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

Combined and Combining Financial Statements

For the Years Ended June 30, 2021 and 2020

**UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combined and Combining Financial Statements
For the Years Ended June 30, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University Prep Public Charter Schools

Report on the Combined and Combining 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, 2021 and 2020, and the related combining statements of activities and functional expenses and combined statements of cash flows for the years then ended, and the related notes to the combined and combining financial statements.

Management's Responsibility for the Combined and Combining 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 combined and combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and combining 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 combined and combining 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 combined and combining 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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— With offices in New Jersey and Maryland —

Opinion

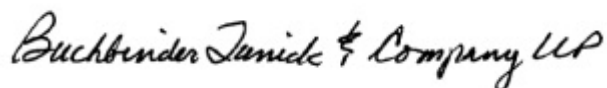
In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of University Prep Public Charter Schools as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our 2021 audit was conducted for the purpose of forming an opinion on the combined and combining financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the combined and combining financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined and combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined and combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined and combining financial statements or to the combined and combining 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 2021 combined and combining 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 27, 2021, on our consideration of University Prep Public Charter Schools' 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 27, 2021

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combined Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 4,002,050	\$ 2,735,438
Restricted cash	150,989	75,906
Grants and other receivables	2,058,714	848,131
Prepaid expenses	116,010	4,608
Property assets, net	<u>1,343,138</u>	<u>633,413</u>
Total assets	<u>\$ 7,670,901</u>	<u>\$ 4,297,496</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 630,090	\$ 393,808
Accrued payroll and payroll taxes	1,357,028	1,133,137
Accrued sick and vacation pay	<u>388,689</u>	<u>257,303</u>
Total liabilities	<u>2,375,807</u>	<u>1,784,248</u>
Net assets:		
Without donor restrictions	5,220,078	2,454,301
With donor restrictions	<u>75,016</u>	<u>58,947</u>
Total net assets	<u>5,295,094</u>	<u>2,513,248</u>
Total liabilities and net assets	<u>\$ 7,670,901</u>	<u>\$ 4,297,496</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, 2021

	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	\$ 7,300,901	\$ 7,300,901	\$ -	\$ 4,699,094	\$ 4,699,094	\$ -	\$ 11,999,995	\$ 11,999,995	\$ -
Local per pupil operating revenue - students with disabilities	710,898	710,898	-	599,597	599,597	-	1,310,495	1,310,495	-
Other grants	158,882	158,882	-	67,390	67,390	-	226,272	226,272	-
Government grants	1,016,445	-	1,016,445	1,204,676	-	1,204,676	2,221,121	-	2,221,121
Contributions	2,500	2,500	-	12,270	12,270	-	14,770	14,770	-
Interest income	2,459	2,459	-	1,389	1,389	-	3,848	3,848	-
Other income	572	572	-	-	-	-	572	572	-
Net assets released from purpose restrictions	-	1,014,542	(1,014,542)	-	1,190,510	(1,190,510)	-	2,205,052	(2,205,052)
Total revenue	9,192,657	9,190,754	1,903	6,584,416	6,570,250	14,166	15,777,073	15,761,004	16,069
Expenses:									
Program services:									
Regular education	5,485,667	5,485,667	-	3,023,476	3,023,476	-	8,509,143	8,509,143	-
Special education	1,388,299	1,388,299	-	1,052,137	1,052,137	-	2,440,436	2,440,436	-
Supporting services:									
Management and general	1,060,733	1,060,733	-	984,915	984,915	-	2,045,648	2,045,648	-
Total expenses	7,934,699	7,934,699	-	5,060,528	5,060,528	-	12,995,227	12,995,227	-
Change in net assets	1,257,958	1,256,055	1,903	1,523,888	1,509,722	14,166	2,781,846	2,765,777	16,069
Net assets:									
Beginning of year	2,929,542	2,884,506	45,036	(416,294)	(430,205)	13,911	2,513,248	2,454,301	58,947
End of year	<u>\$ 4,187,500</u>	<u>\$ 4,140,561</u>	<u>\$ 46,939</u>	<u>\$ 1,107,594</u>	<u>\$ 1,079,517</u>	<u>\$ 28,077</u>	<u>\$ 5,295,094</u>	<u>\$ 5,220,078</u>	<u>\$ 75,016</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	-
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 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	-
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	<u>\$ 2,929,542</u>	<u>\$ 2,884,506</u>	<u>\$ 45,036</u>	<u>\$ (416,294)</u>	<u>\$ (430,205)</u>	<u>\$ 13,911</u>	<u>\$ 2,513,248</u>	<u>\$ 2,454,301</u>	<u>\$ 58,947</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, 2021

	High School				Middle School				Total			
	Program Services		Supporting Services		Program Services		Supporting Services		Program Services		Supporting Services	
	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total
Salaries - instructional personnel	\$ 2,587,354	\$ 750,050	\$ -	\$ 3,337,404	\$ 1,315,104	\$ 596,475	\$ -	\$ 1,911,579	\$ 3,902,458	\$ 1,346,525	\$ -	\$ 5,248,983
Salaries - administrative staff personnel	940,781	167,378	474,571	1,582,730	645,737	129,254	457,962	1,232,953	1,586,518	296,632	932,533	2,815,683
Payroll taxes	283,128	74,714	35,392	393,234	128,577	47,698	31,107	207,382	411,705	122,412	66,499	600,616
Employee benefits	1,006,728	265,664	125,841	1,398,233	406,889	150,943	98,440	656,272	1,413,617	416,607	224,281	2,054,505
Provision for sick and vacation pay	71,135	12,553	14,769	98,457	23,791	4,198	4,940	32,929	94,926	16,751	19,709	131,386
Classroom textbooks and supplies	134,813	23,791	-	158,604	150,233	35,240	-	185,473	285,046	59,031	-	344,077
Office furniture and equipment	-	-	60,076	60,076	-	-	67,676	67,676	-	-	127,752	127,752
Consulting	132,067	34,851	16,509	183,427	131,236	48,684	31,751	211,671	263,303	83,535	48,260	395,098
Financial management services	-	-	180,144	180,144	-	-	146,622	146,622	-	-	326,766	326,766
School uniforms	7,761	1,369	-	9,130	28,358	6,652	-	35,010	36,119	8,021	-	44,140
Insurance	23,479	6,105	38,138	67,722	9,707	3,593	35,829	49,129	33,186	9,698	73,967	116,851
Telephone and Internet	110,953	29,279	13,869	154,101	44,215	16,402	10,697	71,314	155,168	45,681	24,566	225,415
Meetings and conferences	2,344	618	293	3,255	1,314	487	318	2,119	3,658	1,105	611	5,374
Auditing	-	-	18,250	18,250	-	-	18,250	18,250	-	-	36,500	36,500
Teacher recruitment	279	49	109	437	2,129	499	876	3,504	2,408	548	985	3,941
Student recruitment	42,510	7,502	16,670	66,682	30,295	7,106	12,467	49,868	72,805	14,608	29,137	116,550
Printing and copying	488	129	61	678	62	23	15	100	550	152	76	778
Office supplies	-	-	39,644	39,644	-	-	42,934	42,934	-	-	82,578	82,578
Postage	4,688	827	1,838	7,353	990	232	408	1,630	5,678	1,059	2,246	8,983
Teachers' discretionary	224	39	-	263	-	-	-	-	224	39	-	263
Food service	362	64	-	426	1,738	408	-	2,146	2,100	472	-	2,572
Repairs and maintenance	5,720	1,510	715	7,945	3,496	1,297	846	5,639	9,216	2,807	1,561	13,584
Payroll processing	2,601	686	326	3,613	1,948	723	471	3,142	4,549	1,409	797	6,755
Student services	63,020	11,121	-	74,141	9,478	2,223	-	11,701	72,498	13,344	-	85,842
Depreciation	65,232	-	1,789	67,021	88,179	-	13,529	101,708	153,411	-	15,318	168,729
Miscellaneous	-	-	21,729	21,729	-	-	9,777	9,777	-	-	31,506	31,506
Total expenses	\$ 5,485,667	\$ 1,388,299	\$ 1,060,733	\$ 7,934,699	\$ 3,023,476	\$ 1,052,137	\$ 984,915	\$ 5,060,528	\$ 8,509,143	\$ 2,440,436	\$ 2,045,648	\$ 12,995,227

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	Total	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	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)
Combined Statements of Cash Flows
For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,781,846	\$ 511,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,729	141,712
(Increase) decrease in operating assets:		
Grants and other receivables	(1,210,583)	(326,233)
Prepaid expenses	(111,402)	94,937
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	236,282	183,062
Accrued payroll and payroll taxes	223,891	364,768
Accrued sick and vacation pay	<u>131,386</u>	<u>27,639</u>
Net cash provided by operating activities	<u>2,220,149</u>	<u>997,214</u>
Cash flows from investing activities:		
(Additions) to furniture and equipment	<u>(878,454)</u>	<u>(535,004)</u>
Net cash (used in) investing activities	<u>(878,454)</u>	<u>(535,004)</u>
Net increase in cash and cash equivalents and restricted cash	1,341,695	462,210
Cash and cash equivalents and restricted cash:		
Beginning of year	<u>2,811,344</u>	<u>2,349,134</u>
End of year	<u>\$ 4,153,039</u>	<u>\$ 2,811,344</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, 2021 and 2020

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

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. 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.

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.

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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

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.

Basis of Presentation

The School reports information regarding its financial position and activities according to the following net asset classifications: 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 purpose restrictions in the combining statements of activities.

Use of Estimates

The preparation of combining and combined 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 combining and combined financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

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 grants are awarded. Conditional grants receivable are recognized when the conditions on which they depend are substantially met.

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. Assets acquired by utilizing government funds may be subject to granting agency disposition requirements.

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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying combining statements of activities. Accordingly, certain costs have been allocated among the program services 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	Time and effort
Telephone and internet	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

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The School has evaluated subsequent events and transactions through October 27, 2021, the date that the combined and combining financial statements were available to be issued.

Note 3 - Property Assets, Net

Property assets, net at June 30, 2021 and 2020 consisted of:

	2021	2020
Classroom and office furniture	\$ 621,585	\$ 460,055
Leasehold improvements	270,994	108,048
Classroom and office computers and equipment	2,259,196	1,705,218
	3,151,775	2,273,321
Less: accumulated depreciation	(1,808,637)	(1,639,908)
Property assets, net	\$ 1,343,138	\$ 633,413

During the years ended June 30, 2021 and 2020, depreciation expense amounted to \$168,729 and \$141,712, respectively.

Note 4 - Net Asset With Donor Restrictions

At June 30, 2021 and 2020, net assets with donor restrictions were available for the following purposes:

	2021	2020
Net assets with donor restrictions:		
Title I Grant - NYS Department of Education 9/1/20 - 8/31/21	\$ 75,016	\$ -
Title I Grant - NYS Department of Education 9/1/19 - 8/31/20	-	58,947
Total net assets with donor restrictions	\$ 75,016	\$ 58,947

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

Note 4 - Net Assets With Donor Restrictions (Continued)

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, 2021 and 2020, the School's endowment assets consisted of net assets with donor restrictions 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").

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 is currently negotiating with the union to renew the collective bargaining agreement. The School contributed \$770,174 and \$779,755 to the Teachers' Retirement System of the City of New York during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, total plan net assets were \$78,347,298,000 and \$59,318,950,000, respectively, and the accumulated benefit obligations were \$78,418,471,072 and \$75,115,996,676, 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.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2021 and 2020

Note 6 - Concentrations (Continued)

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 - Availability and Liquidity

Financial assets consist of the following at June 30, 2021 and 2020:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 4,002,050	\$ 2,735,438
Grants and other receivables	2,058,714	848,131
Financial assets available to meet general expenditures over the next twelve months	\$ 6,060,764	\$ 3,583,569

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$3,249,000). 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, 2021, the School's Form 990s for the years 2017 through 2021 remain eligible for examination by the IRS.



University Prep Public Charter School

Schedule of Expenditures of Federal Awards (SEFA)
For the Year Ended June 30, 2021

FEDERAL AWARDS										
Grant Name	Contract Period	Assistance Listing #	Project #	Contract #	Original Budget	Final Allocation	Federal Expenditures	Federal Revenue	Deposits	YTD Receivable
U.S. Department of Education:										
Passed through New York State Education Department										
Education Stabilization Fund										
Elementary and Secondary School Emergency Relief Fund	03/13/20-09/30/22	84.425D	5890215560	N/A	91,187	91,187	59,187 *	59,187	(18,237)	40,950
	03/13/20-09/30/22	84.425D	5890214415	N/A	250,119	250,119	214,311 *	214,311	(50,023)	164,288
Total Elementary and Secondary School Emergency Relief Fund							273,498	273,498	(68,260)	205,238
Elementary and Secondary School Emergency Relief 2 Fund	03/13/20-09/30/23	84.425D	5891215560	N/A	956,746	956,746	214,704 *	214,704	-	214,704
	03/13/20-09/30/23	84.425D	5891214415	N/A	877,151	877,151	183,527 *	183,527	-	183,527
Total Elementary and Secondary School Emergency Relief II Fund							398,231	398,231	-	398,231
American Rescue Plan - Elementary and Secondary School Relief	03/31/20-09/30/24	84.425U	unknown	N/A	2,153,208	2,153,208	371,292 *	371,292	-	371,292
	03/31/20-09/30/24	84.425U	unknown	N/A	1,969,956	1,969,956	244,195 *	244,195	-	244,195
Total American Rescue Plan							615,487	615,487	-	615,487
Total Education Stabilization Fund							1,287,216	1,287,216	(68,260)	1,218,956
Charter School Planning and Implementation Grant	07/01/20-06/30/21	84.282	0089211036	C403559	443,700	443,700	349,126	349,126	(88,740)	260,386
Charter School Planning and Implementation Grant - COVID-19	7/1/20-9/30/20	84.282-COVID	unknown	N/A	49,500	49,500	49,500	49,500	-	49,500
Total Charter School Planning and Implementation Grant							398,626	398,626	(88,740)	309,886
Title I - Grants to Local Educational Agencies	09/01/20-08/31/21	84.010	0021215560	N/A	97,411	172,916	153,416	153,416	(19,481)	133,935
Title I - Grants to Local Educational Agencies	09/01/20-08/31/21	84.010	0021214415	N/A	267,192	275,630	267,630	267,630	(53,438)	214,192
Title I - Grants to Local Educational Agencies	09/01/19- 08/31/20	84.010	0021204415	N/A	261,787	270,215	14,000	14,000	(5,572)	8,428
Title I - Grants to Local Educational Agencies	09/01/19- 08/31/20	84.010	0021205560	N/A	-	-	15,048	15,048	(15,048)	-
Total Title I - Grants to Local Educational Agencies							450,094	450,094	(93,539)	356,555
Title II - Supporting Effective Instruction	09/01/20-08/31/21	84.367	0147215560	N/A	14,546	25,904	25,904	25,904	(2,909)	22,995
Title II - Supporting Effective Instruction	09/01/20-08/31/21	84.367	0147214415	N/A	33,610	34,309	22,547	22,547	(6,722)	15,825
Total Title II - Supporting Effective Instruction							48,451	48,451	(9,631)	38,820
Title III - Immigrant Education	09/01/20-08/31/21	84.365	0021215560	N/A	30,568	30,568	15,568	15,568	-	15,568
Total Title III - Immigrant Education							15,568	15,568	-	15,568
Title IV - Student Support and Academic Enrichment Program	09/01/20-08/31/21	84.424	0204215560	N/A	10,000	10,000	10,000	10,000	(2,000)	8,000
Title IV - Student Support and Academic Enrichment Program	09/01/20-08/31/21	84.424	0204214415	N/A	20,734	20,734	20,734	20,734	(4,146)	16,588
Total Title IV - Student Support and Academic Enrichment Program							30,734	30,734	(6,146)	24,588
Total U.S Department of Education							2,230,689	2,230,689	(266,316)	1,964,373
Total pass-through federal awards							2,230,689	2,230,689	(266,316)	1,964,373
TOTAL EXPENDITURES OF FEDERAL AWARDS							2,230,689	2,230,689	(266,316)	1,964,373

* Major Programs

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of University Prep Public Charter Schools (formerly University Prep Charter High School) (the "School") (a non-profit organization), under programs funded by the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of University Prep Public Charter Schools, it is not intended to and does not present the financial position, changes in net assets or cash flows of University Prep Public Charter Schools.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the School and agencies and departments of the federal government.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Institute does not qualify for the 10% *de minimis* indirect cost rate.



**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 (a non-profit organization), which comprise the combined statement of financial position as of June 30, 2021, 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 combined and combining financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined and combining financial statements, we considered the University Prep Public Charter Schools' 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 combined and combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University Prep Public Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the University Prep Public Charter Schools' 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.

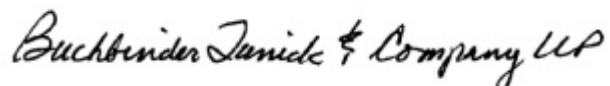
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 the University Prep Public Charter Schools' 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 27, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
University Prep Public Charter Schools

Report on Compliance for Each Major Federal Program

We have audited the University Prep Public Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University Prep Public Charter Schools' major federal programs for the year ended June 30, 2021. The University Prep Public Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and summary of results.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University Prep Public Charter Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University Prep Public Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University Prep Public Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, the University Prep Public Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the University Prep Public Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University Prep Public Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University Prep Public Charter Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 27, 2021

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
Schedule of Findings and Questioned Costs and Summary of Results
For the year ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	__yes	<u>X</u> no
Significant deficiency(s) identified?	__yes	<u>X</u> none
Noncompliance material to financial statements noted?	__yes	<u>X</u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	__yes	<u>X</u> no
Significant deficiency(ies) identified?	__yes	<u>X</u> none

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	__yes	<u>X</u> no
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Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425D	Education Stabilization Fund – Elementary and Secondary School Elementary and Secondary Relief 1 & 2 Fund
84.425U	Education Stabilization Fund – American Rescue Plan – Elementary and Secondary School Relief

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	__yes	<u>X</u> no
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UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
Schedule of Findings and Questioned Costs and Summary of Results (Continued)
For the year ended June 30, 2021

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None