

**UNIVERSITY PREPARATORY CHARTER SCHOOL
FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2011

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of University Preparatory Charter School for Young Men (a nonprofit organization) as of June 30, 2011 and 2010 and the related statements of activities, and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements, where in our report dated February 1, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Preparatory Charter School for Young Men as of June 30, 2011 and 2010 and its cash flows for the years then ended, and the results of its operations and changes in net assets for the year ended and June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2011 on our consideration of University Preparatory Charter School for Young Men's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Heveron & Heveron
Certified Public Accountants

Rochester, New York
October 11, 2011

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
BALANCE SHEETS
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash	\$ 880,444	\$ 24,909
Accounts Receivable	43,033	-
Grants Receivable	71,491	31,402
Prepaid Expenses	<u>7,817</u>	<u>-</u>
Total Current Assets	<u>1,002,785</u>	<u>56,311</u>
 <u>Property and Equipment</u>		
Building and Improvements	696,608	-
Furniture and Fixtures	102,582	18,550
Computer Equipment	7,772	7,772
Less: Accumulated Depreciation	<u>(53,764)</u>	<u>(884)</u>
Net Property and Equipment	<u>753,198</u>	<u>25,438</u>
 TOTAL ASSETS	 <u>\$ 1,755,983</u>	 <u>\$ 81,749</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 59,534	\$ 29,481
Accrued Payroll and Payroll Taxes	124,158	38,426
Deferred Revenue	10,186	-
Current Portion of Long Term Debt	<u>64,383</u>	<u>-</u>
 Total Current Liabilities	 <u>258,261</u>	 <u>67,907</u>
 Long-Term Debt	 <u>549,087</u>	 <u>-</u>
 Total Liabilities	 <u>807,348</u>	 <u>67,907</u>
 <u>Net Assets</u>		
Unrestricted	<u>948,635</u>	<u>13,842</u>
 Total Net Assets	 <u>948,635</u>	 <u>13,842</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,755,983</u>	 <u>\$ 81,749</u>

See Independent Auditors' Report and Notes to Financial Statements.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF ACTIVITIES**

For The Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Revenue and Other Support</u>		
Public School District:		
Revenue - Resident Student Enrollment	\$ 1,921,519	\$ -
Revenue - Students with Disabilities	375,675	-
Other Revenue	21,709	-
Federal Grants	296,915	151,402
Food Service Income	90,937	-
Contributions	2,400	1,000
In-Kind Contributions	-	7,082
Miscellaneous Income	<u>247</u>	<u>-</u>
 Total Revenue and Other Support	 <u>2,709,402</u>	 <u>159,484</u>
 <u>Expenses</u>		
Program Expenses:		
Regular Education	1,179,075	-
Special Education	89,410	-
Food Service	165,503	-
School Predevelopment	-	102,885
Supporting Services:		
Management and General	<u>340,621</u>	<u>60,778</u>
 Total Expenses	 <u>1,774,609</u>	 <u>163,663</u>
 Excess/(Deficit) of Revenues and Other Support Over Expenses	 934,793	 (4,179)
 Net Assets - Beginning of Year	 <u>13,842</u>	 <u>18,021</u>
 Net Assets - End of Year	 <u>\$ 948,635</u>	 <u>\$ 13,842</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, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Program Services				Management and General	Total	
	Regular Education	Special Education	Food Services			2011	2010
Salaries and Wages	\$ 675,617	\$ 76,611	\$ 41,758	\$ 166,491	\$ 960,477	\$ 97,970	
Payroll Taxes	61,093	6,928	3,776	15,055	86,852	8,455	
Employee Benefits	51,773	5,871	3,200	12,759	73,603	1,279	
Total Personal Services	788,483	89,410	48,734	194,305	1,120,932	107,704	
Supplies and Materials	115,334	-	-	-	115,334	-	
Outside Services	99,971	-	-	15,000	114,971	11,700	
Food	-	-	85,455	-	85,455	-	
Occupancy Expense	43,165	-	11,066	21,382	75,613	6,708	
Professional Fees	13,368	-	-	46,681	60,049	1,022	
Depreciation	37,016	-	7,932	7,932	52,880	884	
Repairs and Maintenance	30,404	-	7,455	6,515	44,374	-	
Office Expense	8,863	-	-	22,799	31,662	1,384	
Interest Expense	18,610	-	3,988	3,987	26,585	-	
Miscellaneous	730	-	873	13,281	14,884	1,479	
Travel	12,906	-	-	-	12,906	5,881	
Technology Expense	8,820	-	-	2,940	11,760	-	
Training and Conferences	1,405	-	-	5,799	7,204	21,900	
Advertising	-	-	-	-	-	5,001	
Total Expenses	\$ 1,179,075	\$ 89,410	\$ 165,503	\$ 340,621	\$ 1,774,609	\$ 163,663	

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 2,294,689	\$ -
Grant Receipts	267,012	120,000
Food Service Fees	79,985	-
Contributions	2,400	1,000
Miscellaneous Sources	247	-
Payments to Vendors for Goods and Services Rendered	(586,428)	(20,882)
Payments to Charter School Personnel for Services Rendered	<u>(1,035,200)</u>	<u>(69,278)</u>
Net Cash Flow Provided By Operating Activities	<u>1,022,705</u>	<u>30,840</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	<u>(780,640)</u>	<u>(7,772)</u>
Cash Flow Used By Investing Activities	<u>(780,640)</u>	<u>(7,772)</u>
 <u>Cash Flow From Financing Activities</u>		
Payments on Long Term Debt	(56,530)	-
Proceeds from Long Term Debt	<u>670,000</u>	<u>-</u>
Cash Flow Provided By Financing Activities	<u>613,470</u>	<u>-</u>
 Net Increase in Cash and Cash Equivalents	855,535	23,068
Cash and Cash Equivalents - Beginning of Year	<u>24,909</u>	<u>1,841</u>
Cash and Cash Equivalents - End of Year	<u>\$ 880,444</u>	<u>\$ 24,909</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During The Year For:		
Interest	<u>\$ 26,585</u>	<u>\$ -</u>

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

For The Years Ended June 30, 2011 and 2010

(Continued)

	<u>2011</u>	<u>2010</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 934,793	\$ (4,179)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	52,880	884
Donated Furniture	-	(2,370)
(Increase)/Decrease In:		
Accounts Receivable	(43,033)	-
Grants Receivable	(40,089)	(31,402)
Prepaid Expenses	(7,817)	-
Increase/(Decrease) In:		
Accounts Payable	30,053	29,481
Accrued Payroll	85,732	38,426
Deferred Revenue	<u>10,186</u>	<u>-</u>
 Net Cash Flows Provided By Operating Activities	 <u>\$ 1,022,705</u>	 <u>\$ 30,840</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

University Preparatory Charter School for Young Men (the School) is a not-for-profit 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. The School began with grades 7 and 8 for the school year ended June 30, 2011 and will grow each year by one grade until the School houses grades 7 through 12.

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 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 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.

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

**June 30, 2011
(Continued)**

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

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.

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.

There were no temporarily or permanently restricted net assets as of June 30, 2011 and 2010.

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.

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

**June 30, 2011
(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.

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 year-end.

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 more than one year. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, as follows.

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

Depreciation expense amounted to \$52,880 and \$884 for the years ended June 30, 2011 and 2010, respectively.

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

**June 30, 2011
(Continued)**

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

Income Taxes

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

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertain tax positions. Tax years including the year ended June 30, 2009 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The School does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The School is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Cash and Cash Equivalents

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>2011</u>	<u>2010</u>
Checking	<u>\$ 880,444</u>	<u>\$ 24,909</u>

Retirement Plan

During the year ended June 30, 2011, The School adopted a Simple IRA retirement plan for all employees. Eligible employees can make contributions to the plan. The School will match the first 3% of an eligible employee's contribution, up to \$11,500 per year. Employees are fully and immediately vested in all contributions. Employer contributions for the year ended June 30, 2011 were \$1,603.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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

Reclassifications

Certain account balances as of June 30, 2010 have been reclassified to conform with the presentation as of June 30, 2011.

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 and management and general. An immaterial amount of fundraising costs for the year ended June 30, 2011 are included in management and general expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. 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 Organization's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Advertising

Advertising costs are expensed as incurred.

NOTE 2 - 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 2011 and 2010, approximately 19 and 13 active volunteers provided 303 and 208 hours of service, respectively.

The Organization also receives donated goods, services, and use of facilities that do meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended June 30, 2010, the Organization recognized \$7,082 of in-kind donations. These consisted mainly of furniture, office space, and storage. There were no in-kind donations recognized for the year ended June 30, 2011.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE 3 - LONG TERM DEBT

Long-term debt consists of the following at June 30:

	2011	2010
Note payable to Sisters of Saint Joseph of Rochester, Inc, originally in the amount of \$670,000. This note bears interest at a rate of 4.5%. Principal and interest are payable in monthly installments of \$7,556 through June 1, 2019.	\$ 613,470	\$ -
Less: Current Maturities	64,383	-
Long-Term Portion	\$ 549,087	\$ -

Maturities of long-term debt for the years after June 30, 2012 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 67,341
2014	70,434
2015	73,670
2016	77,054
2017	80,594
Thereafter	179,994
Total	\$ 549,087

NOTE 4 - SPECIAL EDUCATION AND OTHER SERVICES

Some of the special education services required by students of the School are provided by the Rochester City School District. These financial statements do not reflect revenue or expenses associated with those services.

Additionally, the School does need to offer special education services that are not provided through the Rochester City School District. The School utilizes staff employees at these times; the revenue and expense for these services have been included in the financial statements.

The School also receives State Aid in the form of textbooks, computer hardware, computer software and library materials from the Rochester City School District. The total aid received for the years ended June 30, 2011 and 2010 was \$21,709 and \$0, respectively.

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

June 30, 2011

(Continued)

NOTE 5 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 11, 2011, 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**

To the Board of Directors
University Preparatory Charter School for Young Men

We have audited the financial statements of University Preparatory Charter School for Young Men as of and for the year ended June 30, 2011, and have issued our report thereon dated October XX, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Preparatory Charter School for Young Men's internal control over financial reporting as a basis for designing our auditing procedures 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 Preparatory Charter School for Young Men's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of University Preparatory Charter School for Young Men's internal control over financial reporting.

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 combination of control 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 in a timely basis.

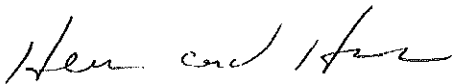
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

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*.

We noted certain other matters that we reported to management of University Preparatory Charter School for Young Men in a separate letter dated October 11, 2011.

This report is intended for the information of management, and the New York State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Heveron & Heveron
Certified Public Accountants

Rochester, New York
October 11, 2011