

**UNIVERSITY PREPARATORY CHARTER  
SCHOOL FOR YOUNG MEN**

**FINANCIAL STATEMENTS**

**June 30, 2014**



**Heveron & Company**

Certified Public Accountants



## TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	4
Statement of Activities	6
Statement of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	10
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
Report on Compliance For Each Major Program; and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	18
Schedule of Findings and Questioned Costs	21
Summary of Prior Year Findings	23
Corrective Action Plan	24
Schedule of Expenditures of Federal Awards	25

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of University Preparatory Charter School for Young Men (a nonprofit organization), which comprise the balance sheets as of June 30, 2014 and 2013 and the related statements of cash flows for the years then ended, and the statements of activities and functional expenses for the year ended June 30, 2014, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Preparatory Charter School for Young Men as of June 30, 2014 and 2013 and its cash flows for the years then ended and the changes in net assets and functional expenses for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the University Preparatory Charter School for Young Men's statements of activities and functional expenses for the year ended June 30, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2014 on our consideration of University Preparatory Charter School for Young Men's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Preparatory Charter School for Young Men's internal control over financial reporting and compliance.

Heveron & Company

Heveron & Company  
Certified Public Accountants

Rochester, New York  
August 12, 2014

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**BALANCE SHEETS**  
**June 30, 2014 and 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash	\$ 783,384	\$ 2,142,045
Accounts Receivable	134,061	10,407
Grants Receivable	<u>219,705</u>	<u>56,608</u>
Total Current Assets	<u>1,137,150</u>	<u>2,209,060</u>
 <u>Property and Equipment</u>		
Building and Improvements	4,079,442	897,536
Furniture and Fixtures	328,023	184,976
Vehicles	47,222	-
Construction in Progress	256,800	1,412,472
Less: Accumulated Depreciation	<u>(429,048)</u>	<u>(217,885)</u>
Net Property and Equipment	<u>4,282,439</u>	<u>2,277,099</u>
 TOTAL ASSETS	 <u>\$ 5,419,589</u>	 <u>\$ 4,486,159</u>

## LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 185,651	\$ 583,918
Accrued Payroll and Payroll Taxes	4,111	4,783
Current Portion of Long Term Debt	<u>73,700</u>	<u>70,434</u>
Total Current Liabilities	<u>263,462</u>	<u>659,135</u>
Long-Term Debt	<u>337,632</u>	<u>411,332</u>
Total Liabilities	<u>601,094</u>	<u>1,070,467</u>
<u>Net Assets</u>		
Unrestricted	4,768,495	3,415,692
Temporarily Restricted	<u>50,000</u>	<u>-</u>
Total Net Assets	<u>4,818,495</u>	<u>3,415,692</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,419,589</u></b>	<b><u>\$ 4,486,159</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>	
			2014	2013
<b><u>Revenue and Other Support</u></b>				
Public School District:				
Revenue - Resident Student Enrollment	\$4,595,941	\$ -	\$ 4,595,941	\$ 3,635,672
Revenue - Students with Disabilities	763,719	-	763,719	474,487
Other Revenue	21,693	-	21,693	35,592
Grants	458,476	50,000	508,476	402,375
Food Service Income	249,875	-	249,875	157,254
Contributions	24,950	-	24,950	1,810
Other Income	<u>13,182</u>	<u>-</u>	<u>13,182</u>	<u>3,652</u>
 Total Revenue and Other Support	 <u>6,127,836</u>	 <u>50,000</u>	 <u>6,177,836</u>	 <u>4,710,842</u>
 <b><u>Expenses</u></b>				
Program Expenses:				
Regular Education	3,316,546	-	3,316,546	2,291,577
Special Education	212,188	-	212,188	194,693
Food Services	385,162	-	385,162	288,230
Supporting Services:				
Management and General	<u>861,137</u>	<u>-</u>	<u>861,137</u>	<u>760,196</u>
 Total Expenses	 <u>4,775,033</u>	 <u>-</u>	 <u>4,775,033</u>	 <u>3,534,696</u>
 Excess of Revenues and Other				
Support Over Expenses	1,352,803	50,000	1,402,803	1,176,146
 Net Assets - Beginning of Year	 <u>3,415,692</u>	 <u>-</u>	 <u>3,415,692</u>	 <u>2,239,546</u>
 Net Assets - End of Year	 <u>\$4,768,495</u>	 <u>\$ 50,000</u>	 <u>\$ 4,818,495</u>	 <u>\$ 3,415,692</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, 2014**

**(With Comparative Totals for the Year Ended June 30, 2013)**

	No. of Positions	Program Services				Management and General	Total	
		Regular Education	Special Education	Food Services			2014	2013
<b>Personnel Service Costs</b>								
Instructional Personnel	41	\$ 1,749,015	\$ 173,663	\$ -	\$ -	\$ 1,922,678	\$ 1,551,364	
Non-Instructional Personnel	9	404,302	-	104,708	20,238	529,248	250,467	
Administrative Personnel	14	-	-	-	474,264	474,264	452,439	
<b>Total Salaries and Wages</b>	64	2,153,317	173,663	104,708	494,502	2,926,190	2,254,270	
Payroll Taxes		187,627	15,132	9,124	43,088	254,971	190,949	
Employee Benefits		290,064	23,393	14,105	66,612	394,174	268,287	
<b>Total Personnel Services</b>		2,631,008	212,188	127,937	604,202	3,575,335	2,713,506	
Depreciation		147,815	-	31,674	31,675	211,164	90,675	
Outside Services		127,562	-	-	75,403	202,965	111,320	
Food		-	-	192,424	-	192,424	161,097	
Classroom Supplies		190,484	-	-	-	190,484	180,968	
Occupancy Expense		96,416	-	23,308	63,480	183,204	77,838	
Office Expense		20,645	-	-	25,238	45,883	47,437	
Repairs and Maintenance		31,065	-	6,657	6,657	44,379	21,816	
Professional Fees		12,258	-	-	27,028	39,286	37,683	
Travel		33,185	-	-	-	35,634	40,710	
Interest Expense		14,167	-	34	2,415	20,238	23,351	
Other Expenses		-	-	3,036	3,035	18,905	6,314	
Technology Expense		9,274	-	92	18,813	12,365	20,011	
Training and Conferences		2,667	-	-	3,091	2,767	1,970	
<b>Total Expenses</b>		\$ 3,316,546	\$ 212,188	\$ 385,162	\$ 861,137	\$ 4,775,033	\$ 3,534,696	

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 5,171,795	\$ 4,129,870
Grant Receipts	345,379	556,650
Food Service Fees	226,398	155,431
Contributions	24,950	1,810
Miscellaneous Sources	13,182	3,652
Payments to Charter School Personnel for Services Rendered	(3,576,003)	(2,713,050)
Payments to Vendors for Goods and Services Rendered	<u>(1,277,425)</u>	<u>(288,197)</u>
Net Cash Flow Provided By Operating Activities	<u>928,276</u>	<u>1,846,166</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	<u>(2,216,503)</u>	<u>(1,532,293)</u>
Cash Flow Used By Investing Activities	<u>(2,216,503)</u>	<u>(1,532,293)</u>
 <u>Cash Flow From Financing Activities</u>		
Payments on Long Term Debt	<u>(70,434)</u>	<u>(67,321)</u>
Cash Flow Used By Financing Activities	<u>(70,434)</u>	<u>(67,321)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	(1,358,661)	246,552
 Cash and Cash Equivalents - Beginning of Year	<u>2,142,045</u>	<u>1,895,493</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 783,384</u>	<u>\$ 2,142,045</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During The Year For:		
Interest	<u>\$ 20,238</u>	<u>\$ 23,351</u>

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended June 30, 2014 and 2013**  
**(Continued)**

	2014	2013
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 1,402,803	\$ 1,176,146
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	211,164	90,675
(Increase)/Decrease In:		
Accounts Receivable	(123,654)	2,971
Grants Receivable	(163,097)	154,275
Increase/(Decrease) In:		
Accounts Payable	(398,268)	421,642
Accrued Payroll and Payroll Taxes	(672)	457
 Net Cash Flows Provided By Operating Activities	 \$ 928,276	 \$ 1,846,166

See Independent Auditors' Report and Notes to Financial Statements.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 added grades 9, 10 and 11 during the school years ended June 30, 2012, 2013 and 2014, respectively. Grade 12 will be added during the school year ending June 30, 2015.

The main programs of the School are as follows:

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

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

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

Basis of Accounting

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

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the School reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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

**June 30, 2014**

**(Continued)**

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

Basis of Presentation (Continued)

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

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

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

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

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

When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There was \$50,000 of temporarily restricted net assets as of June 30, 2014 restricted for the Young Men's Wellness Initiative. There were no temporarily restricted net assets as of June 30, 2013.

There were no permanently restricted net assets as of June 30, 2014 and 2013.

Use of Estimates in the Preparation of Financial Statements

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

Accounts and Grants Receivable

Receivables are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been completed, are written off. In addition, management evaluates the need for and, if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2014 and 2013.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

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

Revenue Recognition

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

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

Contributions

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

Property and Equipment

Property and equipment are stated at cost. The School capitalizes property and equipment with a cost of over \$1,000 and an estimated life of 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 \$211,164 and \$90,675 for the years ended June 30, 2014 and 2013, respectively.

The School also had construction in progress of \$256,800 and \$1,412,472 at June 30, 2014 and 2013, respectively, related to renovation of a newly acquired school building and renovation of the neighboring convent building which will be for additional instructional space.

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

**June 30, 2014**

**(Continued)**

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

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 checking accounts at June 30, 2014 and 2013.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

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

Accounting standards require entities to disclose in their financial statements the nature of any uncertain tax positions. Tax years including the year ended June 30, 2011 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.

Retirement Plan

The School has 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 years ended June 30, 2014 and 2013 were \$16,592 and \$14,227, respectively.

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

**June 30, 2014  
(Continued)**

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

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and management and general. An immaterial amount of fundraising costs for the years ended June 30, 2014 and 2013 are included in management and general expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Reclassifications

Certain account balances as of June 30, 2013 have been reclassified to conform with the presentation as of June 30, 2014.

**NOTE 2 - LONG TERM DEBT**

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

	<u>2014</u>	<u>2013</u>
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. The property was sold July 11, 2014 and the note paid in full.	\$ 411,332	\$ 481,766
Less: Current Maturities	<u>73,700</u>	<u>70,434</u>
Long-Term Portion	<u>\$ 337,632</u>	<u>\$ 411,332</u>



**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**NOTE 2 - LONG TERM DEBT (Continued)**

Maturities of long-term debt for the years after June 30, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 77,054
2017	80,594
2018	84,297
2019	88,169
2020	<u>7,518</u>
Total	<u>\$ 337,632</u>

**NOTE 3 - DONATED SERVICES AND GOODS**

The School receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During 2014 and 2013, 12 and 10 active volunteers provided 288 and 240 hours of service, respectively.

**NOTE 4 - SPECIAL EDUCATION AND OTHER SUPPORT**

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

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

The School also receives State Aid in the form of textbooks, computer hardware, computer software and library materials through the Rochester City School District. The total aid received for the years ended June 30, 2014 and 2013 was \$21,694 and \$35,593, respectively.

**NOTE 5 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 12, 2014, which is the date the statements were available for issuance.

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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University Preparatory Charter School for Young Men as of and for the year ended August 12, 2014, and the related notes to the financial statements, which collectively comprise University Preparatory Charter School for Young Men's basic financial statements, and have issued our report thereon dated August 12, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a record-keeping matter, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency, as item 2014-1.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*Heveron & Company*

Heveron & Company  
Certified Public Accountants

Rochester, New York  
August 12, 2014

Since 1972

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited University Preparatory Charter School for Young Men's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of University Preparatory Charter School for Young Men's major federal programs for the year ended June 30, 2014. University Preparatory Charter School for Young Men's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 University Preparatory Charter School for Young Men's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 University Preparatory Charter School for Young Men's 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 University Preparatory Charter School for Young Men's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, University Preparatory Charter School for Young Men 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, 2014.

### **Report on Internal Control Over Compliance**

Management of University Preparatory Charter School for Young Men 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 University Preparatory Charter School for Young Men's 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 *OMB Circular A-133*, 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 University Preparatory Charter School for Young Men's 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Heveron & Company

Heveron & Company  
Certified Public Accountants

Rochester, New York  
August 12, 2014

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

The auditors' report expresses an unmodified opinion on the general-purpose financial statements of University Preparatory Charter School for Young Men.

No material weaknesses were identified in the internal controls over financial reporting.

One significant deficiency that is not considered to be a material weakness was identified in the internal controls over financial reporting.

No instances of noncompliance material to the financial statements of University Preparatory Charter School for Young Men were disclosed during the audit.

Federal Awards

The auditors' report on compliance for major programs expresses an unmodified opinion.

No material weaknesses were identified in the internal control over major programs.

No significant deficiencies were identified in the internal controls over major programs.

There are no audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
84.287	Twenty-First Century Community Learning Centers

Dollar Threshold used to distinguish  
between type A and type B programs: \$ 300,000

The auditee qualified as a high-risk auditee.

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2014  
(Continued)**

**Section II - Financial Statement Findings**

*Condition:* This year there were a few material audit adjustments to receivables, grant revenue, fixed assets, and depreciation; therefore, you lacked necessary information for proper decision-making.

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

*Cause:* There are not procedures in place to verify that all significant accounts have been properly adjusted.

*Effect:* There were adjustments to receivables, grant revenue, fixed assets, and depreciation at the time of the audit.

*Recommendation:* Procedures should be implemented to review all balance sheet and income statement accounts prior to the preparation of monthly and year-end financial reports. Any necessary adjustments should be made at this time to ensure accurate financial information. The Organization should consider outside accounting assistance to help with this.

*Views of responsible officials and planned corrective actions:*

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

**Section III - Federal Award Findings and Questioned Costs**

None



**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN  
SUMMARY OF PRIOR YEAR FINDINGS  
For The Year Ended June 30, 2014**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN  
CORRECTIVE ACTION PLAN  
For The Year Ended June 30, 2014**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2014**

<u>Federal Grantor/Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
 <u>Department of Education</u>			
Twenty-First Century Community Learning Centers Passed Through the University of the State of New York			
The State Education Department	84.287	261600860985	\$ 211,124
Title I Grants to Local Educational Agencies Passed Through the University of the State of New York			
The State Education Department	84.010A	261600860985	141,994
Special Education Grants to States Passed Through the University of the State of New York			
The State Education Department	84.027	261600860985	46,540
Improving Teacher Quality State Grants Passed Through the University of the State of New York			
The State Education Department	84.367A	261600860985	<u>8,318</u>
Total Department of Education			<u>407,976</u>

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<u>Federal Grantor/Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
 <u>Department of Agriculture</u>			
National School Lunch Program			
Passed Through the University of the State of New York			
The State Education Department	10.555	261600860985	182,015
 School Breakfast Program			
Passed Through the University of the State of New York			
The State Education Department	10.553	261600860985	<u>67,860</u>
Total Department of Agriculture			<u>249,875</u>
Total Federal Expenditures			<u>\$ 657,851</u>

Note 1: The Schedule of Expenditures of Federal Awards utilized the same basis of accounting as the general-purpose financial statements.

Note 2: The dollar threshold for distinguishing type A and type B federal programs is \$300,000.

Note 3: Of the Federal expenditures presented in the schedule, University Preparatory Charter School for Young Men provided no federal awards to sub-recipients.