

**UNIVERSITY PREPARATORY CHARTER
SCHOOL FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2015



Heveron & Company

Care, Competence & Common SenseSM



Certified Public Accountants

Certified Women Owned Business

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of University Preparatory Charter School for Young Men (a nonprofit organization), which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of cash flows for the years then ended, the statements of activities and functional expenses for the year ended June 30, 2015, 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, 2015 and 2014 and its cash flows for the years then ended, and the changes in net assets and functional expenses for the year ended June 30, 2015 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, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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 October 13, 2015 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
October 13, 2015

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
BALANCE SHEETS
June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash	\$ 1,970,143	\$ 783,384
Accounts Receivable	137,831	134,061
Grants Receivable	<u>202,468</u>	<u>219,705</u>
Total Current Assets	<u>2,310,442</u>	<u>1,137,150</u>
 <u>Property and Equipment</u>		
Building and Improvements	4,191,061	4,079,442
Furniture and Fixtures	378,724	328,023
Vehicles	47,222	47,222
Construction in Progress	-	256,800
Less: Accumulated Depreciation	<u>(527,933)</u>	<u>(429,048)</u>
Net Property and Equipment	<u>4,089,074</u>	<u>4,282,439</u>
 TOTAL ASSETS	 <u>\$ 6,399,516</u>	 <u>\$ 5,419,589</u>

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 100,656	\$ 145,830
Accrued Payroll and Payroll Taxes	2,640	57,929
Deferred Revenue	7,602	-
Current Portion of Long Term Debt	<u>-</u>	<u>73,700</u>
Total Current Liabilities	<u>110,898</u>	<u>277,459</u>
Long-Term Debt	<u>-</u>	<u>337,632</u>
Total Liabilities	<u>110,898</u>	<u>615,091</u>
<u>Net Assets</u>		
Unrestricted	6,088,618	4,754,498
Temporarily Restricted	<u>200,000</u>	<u>50,000</u>
Total Net Assets	<u>6,288,618</u>	<u>4,804,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,399,516</u>	<u>\$ 5,419,589</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Temporarily		<u>Totals</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2015</u>	<u>2014</u>
<u>Revenue and Other Support</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$5,419,499	\$ -	\$ 5,419,499	\$ 4,595,941
Revenue - Students with Disabilities	847,324	-	847,324	763,719
Grants	496,669	200,000	696,669	530,169
Food Service Income	292,623	-	292,623	249,875
Other Income	12,892	-	12,892	13,182
Contributions	6,493	-	6,493	24,950
Released from Restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>7,125,500</u>	<u>150,000</u>	<u>7,275,500</u>	<u>6,177,836</u>
<u>Expenses</u>				
Program Expenses:				
Regular Education	4,056,982	-	4,056,982	3,320,303
Special Education	202,923	-	202,923	212,490
Food Services	430,225	-	430,225	385,345
Supporting Services:				
Management and General	<u>766,135</u>	<u>-</u>	<u>766,135</u>	<u>862,000</u>
Total Expenses	<u>5,456,265</u>	<u>-</u>	<u>5,456,265</u>	<u>4,780,138</u>
Excess of Revenues and Other				
Support Over Expenses - Operating	1,669,235	150,000	1,819,235	1,397,698
<u>Other Expenses</u>				
Loss on Sale of Property	<u>(335,115)</u>	<u>-</u>	<u>(335,115)</u>	<u>-</u>
Total Other Expenses	<u>(335,115)</u>	<u>-</u>	<u>(335,115)</u>	<u>-</u>
Excess of Revenues and Other				
Support Over Expenses	1,334,120	150,000	1,484,120	1,397,698

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

For The Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

(Continued)

	Temporarily		<u>Totals</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2015</u>	<u>2014</u>
Net Assets - Beginning of Year	4,754,498	50,000	4,804,498	3,415,692
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,892)</u>
Net Assets - Beginning of Year as Restated	<u>4,754,498</u>	<u>50,000</u>	<u>4,804,498</u>	<u>3,406,800</u>
Net Assets - End of Year	<u>\$6,088,618</u>	<u>\$ 200,000</u>	<u>\$ 6,288,618</u>	<u>\$ 4,804,498</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, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	No. of Positions	Program Services			Management and General	Totals	
		Regular Education	Special Education	Food Services		2015	2014
Personnel Service Costs							
Instructional Personnel	50	\$ 2,156,636	\$ 164,562	\$ -	\$ -	\$ 2,321,198	\$ 1,939,432
Non-Instructional Personnel	10	549,044	-	109,365	24,964	683,373	529,248
Administrative Personnel	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,353</u>	<u>422,353</u>	<u>474,264</u>
Total Salaries and Wages	72	2,705,680	164,562	109,365	447,317	3,426,924	2,942,944
Fringe Benefits and Payroll Taxes		599,715	36,475	24,241	99,148	759,579	620,908
Retirement		<u>31,009</u>	<u>1,886</u>	<u>1,253</u>	<u>5,127</u>	<u>39,275</u>	<u>16,592</u>
Total Personnel Services		3,336,404	202,923	134,859	551,592	4,225,778	3,580,444
Depreciation		181,222	-	38,833	38,833	258,888	211,164
Other Purchased Services		191,208	-	-	92,947	284,155	235,764
Food		-	-	221,293	-	221,293	196,833
Supplies		136,391	-	15,703	-	152,094	169,686
Student Services		95,848	-	-	-	95,848	56,432
Utilities		37,840	-	7,264	19,055	64,159	106,775
Office Expense		22,564	-	-	28,332	50,896	45,883
Repairs and Maintenance		20,283	-	4,346	4,347	28,976	44,379
Insurance		15,513	-	3,324	3,324	22,161	30,514
Rent Expense		7,027	-	4,603	4,904	16,534	45,915

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

(Continued)

	<u>Program Services</u>			<u>Management and General</u>	<u>Totals</u>	
	<u>Regular Education</u>	<u>Special Education</u>	<u>Food Services</u>		<u>2015</u>	<u>2014</u>
Technology	9,883	-	-	3,294	13,177	12,365
Accounting	-	-	-	12,300	12,300	9,525
Other Expenses	275	-	-	6,907	7,182	28,187
Marketing	1,545	-	-	-	1,545	1,544
Staff Development	979	-	-	300	1,279	2,767
Legal	-	-	-	-	-	1,961
Total Expenses	<u>\$ 4,056,982</u>	<u>\$ 202,923</u>	<u>\$ 430,225</u>	<u>\$ 766,135</u>	<u>\$ 5,456,265</u>	<u>\$ 4,780,138</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 6,424,988	\$ 5,171,795
Grant Receipts	613,906	345,379
Food Service Fees	299,831	226,398
Contributions	6,493	24,950
Miscellaneous Sources	12,364	13,182
Payments to Charter School Personnel for Services Rendered	(4,281,065)	(3,576,003)
Payments to Vendors for Goods and Services Rendered	<u>(1,077,781)</u>	<u>(1,277,425)</u>
Net Cash Flow Provided By Operating Activities	<u>1,998,736</u>	<u>928,276</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	(803,055)	(2,216,503)
Proceeds from Sale of Property	<u>402,410</u>	<u>-</u>
Cash Flow Used By Investing Activities	<u>(400,645)</u>	<u>(2,216,503)</u>
 <u>Cash Flow From Financing Activities</u>		
Payments on Long Term Debt	<u>(411,332)</u>	<u>(70,434)</u>
Cash Flow Used By Financing Activities	<u>(411,332)</u>	<u>(70,434)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	1,186,759	(1,358,661)
 Cash and Cash Equivalents - Beginning of Year	<u>783,384</u>	<u>2,142,045</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 1,970,143</u>	<u>\$ 783,384</u>
 <u>Supplemental Disclosures</u>		
Cash Paid During The Year For:		
Interest	<u>\$ -</u>	<u>\$ 20,238</u>

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2015 and 2014
(Continued)

	<u>2015</u>	<u>2014</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 1,484,120	\$ 1,397,698
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	258,888	211,164
Loss on Sale of Property	335,115	-
(Increase)/Decrease In:		
Accounts Receivable	(3,770)	(123,654)
Grants Receivable	17,237	(163,097)
Increase/(Decrease) In:		
Accounts Payable	(45,167)	(409,917)
Accrued Payroll and Payroll Taxes	(55,289)	16,082
Deferred Revenue	<u>7,602</u>	<u>-</u>
 Net Cash Flows Provided By Operating Activities	 <u>\$ 1,998,736</u>	 <u>\$ 928,276</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 11 and 12 during the school years ended June 30, 2012, 2013, 2014 and 2015, respectively.

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, 2015
(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 \$200,000 of temporarily restricted net assets as of June 30, 2015 restricted for Pathways to Employment: The Career and Technical Education Center. There was \$50,000 of temporarily restricted net assets as of June 30, 2014 that was restricted for the Young Men's Wellness Initiative.

There were no permanently restricted net assets as of June 30, 2015 or 2014.

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, 2015
(Continued)

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

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, 2015 and 2014.

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>
Building and Improvements	20
Furniture and Fixtures	3-5
Vehicles	5

Depreciation expense amounted to \$258,888 and \$211,164 for the years ended June 30, 2015 and 2014, respectively.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

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

Advertising

Advertising costs are expensed as incurred.

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, 2015 and 2014.

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.

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, 2015 and 2014 were \$39,275 and \$16,592, respectively.

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, 2015 and 2014 are included in management and general expenses.

Reclassifications

Certain account balances as of June 30, 2014 have been reclassified to conform with the presentation as of June 30, 2015.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

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

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, 2014, from which the summarized information was derived.

NOTE 2 - LONG TERM DEBT

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

	2015	2014
Note payable to Sisters of Saint Joseph of Rochester, Inc., originally in the amount of \$670,000. This note incurred interest at a rate of 4.5%. Principal and interest were payable in monthly installments of \$7,556. The property was sold in July 2014 and the note paid in full.	\$ -	\$ 411,332
Less: Current Maturities	-	73,700
Long-Term Portion	\$ -	\$ 337,632

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 2015 and 2014, 11 and 12 active volunteers provided 264 and 288 hours of service, respectively.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2015
(Continued)

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, 2015 and 2014 was \$16,447 and \$21,694, respectively.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment affecting the year ended June 30, 2014 was made. The June 30, 2014 comparative financial statements have been restated to reflect this adjustment. The adjustment was necessary to record expenses and the related payable in the proper period. The net adjustment was an increase of \$5,105 in Unrestricted Net Assets.

Prior period adjustments affecting years prior to June 30, 2014 were also recorded. These adjustments were necessary to record expenses and the related payables in the proper period. The net adjustments was a decrease of \$8,892 in Unrestricted Net Assets.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 13, 2015, which is the date the statements were available for issuance.

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

Independent Auditors' Report

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

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 October 13, 2015, 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 October 13, 2015.

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 2015-001.

Compliance and Other Matters

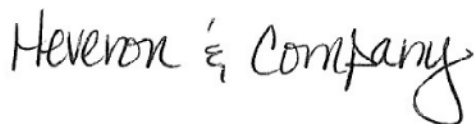
As part of obtaining reasonable assurance about whether University Preparatory Charter School for Young Men's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could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

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

University Preparatory Charter School for Young Men's response to the finding identified in our audit is described in the accompanying Schedule of Findings and 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
Certified Public Accountants

Rochester, New York
October 13, 2015

**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 Trustees
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, 2015. 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, 2015.

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
October 13, 2015

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2015

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
84.010A	Title I Grants to Local Educational Agencies

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, 2015
(Continued)

Section II - Financial Statement Findings

Finding 2015-001

Condition: This year there were a limited number of material audit adjustments to receivables, grant revenue, fixed assets, and depreciation; therefore, internal financial statements 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: The Organization should consider outside accounting assistance to review quarterly and year-end financial statements and for consulting on technical accounting issues.

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, 2015**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
CORRECTIVE ACTION PLAN
For The Year Ended June 30, 2015**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015**

<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	\$ 228,064
 Title I Grants to Local Educational Agencies			
Passed Through the University of the State of New York			
The State Education Department	84.010A	261600860985	183,938
 Improving Teacher Quality State Grants			
Passed Through the University of the State of New York			
The State Education Department	84.367A	261600860985	<u>8,860</u>
Total Department of Education			<u>420,862</u>

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015
(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	225,465
School Breakfast Program			
Passed Through the University of the State of New York			
The State Education Department	10.553	261600860985	<u>67,158</u>
Total Department of Agriculture			<u>292,623</u>
Total Federal Expenditures			<u>\$ 713,485</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.

Auditors' Communications

August 25, 2015

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

Dear Board Members:

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

Those charged with management and governance are responsible for:

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

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

Our Responsibilities to You

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

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

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

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

Material weaknesses are significant deficiencies or combinations of significant deficiencies such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Role of Internal Controls

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

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

General Observations

Our general observations are that:

- We have become aware of a matter that we consider to be a significant deficiency. It is described below.
- Your record-keeping system is appropriate for your financial recording and reporting needs, including allocation of revenue and expense to various programs.
- Routine record-keeping appears to be done in a timely and conscientious manner, although several audit adjustments were required to correct some account balances.
- Internal controls are good given your staff size.
- The attitude of management regarding the importance of proper systems and controls seems appropriate.

- We did not have disagreements with management in connection with our audits or difficulties in performing the audits, and, to our knowledge, management did not consult with other CPAs about audit issues.
- We did not become aware of fraud or illegal acts, and there were no significant financial statement adjustments or unusual transactions.
- No material accounting adjustments were left unrecorded.
- There were no major changes in accounting policies and procedures, or in estimating for things such as the useful lives of equipment items, bad debts or functional allocations.

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

Necessary Adjustments:

- The first pages of this letter explained control deficiencies that may be significant deficiencies or material weaknesses. The professional guidance in this area clearly states that if outside auditors need to make significant adjustments to your financial statements for them to be correct, that must be communicated to management as a significant deficiency or as a material weakness. This year, there were large audit adjustments to correct cash, receivables, and grant revenue. The adjustments were for nonroutine matters such as the adjustment of receivables at year-end, and summarizing expenditures that will be submitted for grant reimbursement through year-end. The most reliable way to summarize reimburseable expenses is to track expenses under each grant in your accounting system. This will help with preparing vouchers and reduce the possibility of errors when vouchering. We believe that it would be beneficial to have a quarterly review of your financial statements by an experienced accountant, who would also be available for consulting when special accounting circumstances arise.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, and the New York State Education Department, and is not intended to be, and should not be, used by anyone other than these specified parties.

The recommendation in this letter is necessary for us to fulfill our responsibilities. Please let us know if you have any questions about our recommendation or how to implement it.

Sincerely,

Heveron & Company

Heveron & Company CPAs