

**UNIVERSITY PREPARATORY CHARTER
SCHOOL FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2016



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, 2016 and 2015, 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, 2016, 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.

Auditors' 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, 2016 and 2015 and its cash flows for the years then ended, and the changes in net assets and functional expenses for the year ended June 30, 2016 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, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 September 13, 2016 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
September 13, 2016

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
BALANCE SHEETS
June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash	\$ 3,035,299	\$ 1,970,143
Accounts Receivable	174,091	37,831
Grants Receivable	63,307	302,468
Prepaid Expenses	<u>66,714</u>	<u>-</u>
Total Current Assets	<u>3,339,411</u>	<u>2,310,442</u>
 <u>Property and Equipment</u>		
Building and Improvements	4,410,966	4,191,061
Furniture and Fixtures	453,944	378,724
Vehicles	47,222	47,222
Construction in Progress	498,224	-
Less: Accumulated Depreciation	<u>(802,751)</u>	<u>(527,933)</u>
Net Property and Equipment	<u>4,607,605</u>	<u>4,089,074</u>
 TOTAL ASSETS	 <u>\$ 7,947,016</u>	 <u>\$ 6,399,516</u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 95,208	\$ 100,656
Accrued Payroll and Payroll Taxes	1,909	2,640
Deferred Revenue	<u>-</u>	<u>7,602</u>
 Total Liabilities	 <u>97,117</u>	 <u>110,898</u>
 <u>Net Assets</u>		
Unrestricted	7,824,899	6,088,618
Temporarily Restricted	<u>25,000</u>	<u>200,000</u>
 Total Net Assets	 <u>7,849,899</u>	 <u>6,288,618</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,947,016</u>	 <u>\$ 6,399,516</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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Temporarily		<u>Totals</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Support</u>				
Public School District:				
Revenue - Resident Student Enrollment	\$5,486,665	\$ -	\$ 5,486,665	\$ 5,419,499
Revenue - Students with Disabilities	746,596	-	746,596	847,324
Other Revenue	95,300	-	95,300	-
Federal Grants	562,859	-	562,859	496,405
State Grants	18,445	-	18,445	16,447
Private Grants	100,000	25,000	125,000	200,000
Food Service Income	321,863	-	321,863	292,623
Other Income	1,033	-	1,033	12,892
Contributions	833	-	833	6,493
Released from Restrictions	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>7,533,594</u>	<u>(175,000)</u>	<u>7,358,594</u>	<u>7,291,683</u>
<u>Expenses</u>				
Program Expenses:				
Regular Education	4,385,577	-	4,385,577	4,230,138
Special Education	408,631	-	408,631	241,900
Food Services	442,429	-	442,429	430,225
Supporting Services:				
Management and General	<u>560,676</u>	<u>-</u>	<u>560,676</u>	<u>570,185</u>
Total Expenses	<u>5,797,313</u>	<u>-</u>	<u>5,797,313</u>	<u>5,472,448</u>
Excess of Revenues and Other				
Support Over Expenses - Operating	1,736,281	(175,000)	1,561,281	1,819,235

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

For The Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

(Continued)

	Temporarily		Totals	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2016</u>	<u>2015</u>
<u>Other Expenses</u>				
Loss on Sale of Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>(335,115)</u>
Total Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(335,115)</u>
Excess of Revenue and Other Support Over Expenses	1,736,281	(175,000)	1,561,281	1,484,120
Net Assets - Beginning of Year	<u>6,088,618</u>	<u>200,000</u>	<u>6,288,618</u>	<u>4,804,498</u>
Net Assets - End of Year	<u>\$7,824,899</u>	<u>\$ 25,000</u>	<u>\$ 7,849,899</u>	<u>\$ 6,288,618</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, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	No. of Positions	Program Services				Totals	
		Regular Education	Special Education	Food Services	Management and General	2016	2015
Personnel Service Costs							
Instructional Personnel	57	\$ 2,556,999	\$ 270,661	\$ -	\$ -	\$ 2,827,660	\$ 2,746,239
Non-Instructional Personnel	9	114,839	-	111,708	24,609	251,156	250,833
Administrative Personnel	8	329,735	-	-	253,487	583,222	429,852
Total Salaries and Wages	74	3,001,573	270,661	111,708	278,096	3,662,038	3,426,924
Fringe Benefits and Payroll Taxes		560,897	50,578	20,875	51,966	684,316	759,579
Retirement		168,317	15,178	6,264	15,595	205,354	39,275
Total Personnel Services		3,730,787	336,417	138,847	345,657	4,551,708	4,225,778
Depreciation		169,642	22,731	41,223	41,222	274,818	258,888
Other Purchased Services		172,529	15,557	-	73,592	261,678	284,155
Food		-	-	229,098	-	229,098	221,293
Supplies		117,768	10,619	13,940	-	142,327	152,094
Student Services		83,529	7,532	-	-	91,061	95,848
Office Expense		21,304	3,106	-	29,203	53,613	50,896
Utilities		28,294	4,833	6,173	33,745	73,045	80,342
Insurance		14,325	1,920	3,481	7,069	26,795	22,161
Repairs and Maintenance		16,090	2,156	3,910	3,909	26,065	28,976
Staff Development		17,842	1,636	-	300	19,778	1,279

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

(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>2016</u>	<u>2015</u>
Technology	10,814	1,340	-	4,051	16,205	13,177
Accounting	-	-	-	12,875	12,875	12,300
Rent Expense	900	635	5,757	4,398	11,690	16,534
Other Expenses	102	-	-	4,204	4,306	7,182
Marketing	1,651	149	-	-	1,800	1,545
Legal	-	-	-	451	451	-
Total Expenses	<u>\$ 4,385,577</u>	<u>\$ 408,631</u>	<u>\$ 442,429</u>	<u>\$ 560,676</u>	<u>\$ 5,797,313</u>	<u>\$ 5,472,448</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 6,120,517	\$ 6,424,988
Grant Receipts	928,316	613,906
Food Service Fees	321,556	299,831
Contributions	833	6,493
Miscellaneous Sources	1,561	12,364
Payments to Charter School Personnel for Services Rendered	(4,552,439)	(4,281,065)
Payments to Vendors for Goods and Services Rendered	<u>(961,842)</u>	<u>(1,077,781)</u>
Net Cash Flow Provided By Operating Activities	<u>1,858,502</u>	<u>1,998,736</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	(793,346)	(803,055)
Proceeds from Sale of Property	<u>-</u>	<u>402,410</u>
Cash Flow Used By Investing Activities	<u>(793,346)</u>	<u>(400,645)</u>
 <u>Cash Flow From Financing Activities</u>		
Payments on Long Term Debt	<u>-</u>	<u>(411,332)</u>
Cash Flow Used By Financing Activities	<u>-</u>	<u>(411,332)</u>
 Net Increase in Cash and Cash Equivalents	1,065,156	1,186,759
 Cash and Cash Equivalents - Beginning of Year	<u>1,970,143</u>	<u>783,384</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 3,035,299</u>	<u>\$ 1,970,143</u>

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2016 and 2015
(Continued)

	2016	2015
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$ 1,561,281	\$ 1,484,120
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	274,818	258,888
Loss on Sale of Property	-	335,115
(Increase)/Decrease In:		
Accounts Receivable	(136,260)	(3,770)
Grants Receivable	239,161	17,237
Prepaid Expenses	(66,714)	-
Increase/(Decrease) In:		
Accounts Payable	(5,451)	(45,167)
Accrued Payroll and Payroll Taxes	(731)	(55,289)
Deferred Revenue	(7,602)	7,602
Net Cash Flows Provided By Operating Activities	<u>\$ 1,858,502</u>	<u>\$ 1,998,736</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

University Preparatory Charter School for Young Men (the School) is a nonprofit 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 for grades 7-12. The School obtains its support directly and indirectly from individuals, organizations and government agencies in the community.

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, 2016
(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 \$25,000 and \$200,000 of temporarily restricted net assets restricted for career and technical education center and program as of June 30, 2016 and June 30, 2015, respectively.

There were no permanently restricted net assets as of June 30, 2016 or 2015.

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, 2016 and 2015.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(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 three or more years. 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 \$274,818 and \$258,888 for the years ended June 30, 2016 and 2015, respectively.

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.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, 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, 2016 and 2015.

Retirement Plan

The School adopted a 403(b) retirement plan effective January 1, 2016. Eligible employees can make contributions to the plan. Employees are fully and immediately vested in all contributions. The School will make non-elective contributions at the Board's discretion. Employer contributions for the year ended June 30, 2016 were \$190,927.

The School had a Simple IRA retirement plan for all employees. This plan was terminated as of December 31, 2015. Eligible employees could make contributions to the plan. The School matched the first 3% of an eligible employee's contribution, up to \$11,500 per year. Employees were fully and immediately vested in all contributions. Employer contributions for the years ended June 30, 2016 and 2015 were \$14,426 and \$39,275, respectively.

Advertising

Advertising costs are expensed as incurred.

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 fund raising costs for the years ended June 30, 2016 and 2015 are included in management and general expenses.

Reclassifications

Certain account balances as of June 30, 2015 have been reclassified to conform with the presentation as of June 30, 2016.

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

June 30, 2016

(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, 2015, from which the summarized information was derived.

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 2016 and 2015, 8 and 11 active volunteers provided 192 and 264 hours of service, respectively.

NOTE 3 - 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, 2016 and 2015 was \$18,445 and \$16,447, respectively.

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2016, which is the date the statements were available for issuance.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN

FEDERAL FINANCIAL ASSISTANCE

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

**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
 Rochester, NY

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 which comprise the balance sheet as of June 30, 2016, and the related statements of activities and functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2016.

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 2016-001.

Compliance and Other Matters

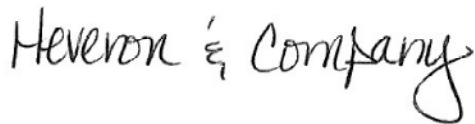
As part of obtaining reasonable assurance about whether University Preparatory Charter School for Young Men's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could 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
September 13, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
 AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
 REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Heveron & Company

Heveron & Company
Certified Public Accountants

Rochester, New York
September 13, 2016

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

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 2 CFR 200.516(a).

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers

Dollar Threshold used to distinguish
between type A and type B programs: \$ 750,000

The auditee qualified as a low-risk auditee.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016
(Continued)

Section II - Financial Statement Findings

Finding 2016-001

Condition: This year there were a limited number of material audit adjustments to receivables, payables, 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, payables, 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, 2016**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
CORRECTIVE ACTION PLAN
For The Year Ended June 30, 2016**

Not Applicable

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016**

<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	\$ 214,508
 Title I Grants to Local Educational Agencies			
Passed Through the University of the State of New York			
The State Education Department	84.010A	261600860985	253,693
 Improving Teacher Quality State Grants			
Passed Through the University of the State of New York			
The State Education Department	84.367A	261600860985	<u>8,915</u>
Total Department of Education			<u>477,116</u>

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016
(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	231,682
 School Breakfast Program			
Passed Through the University of the State of New York			
The State Education Department	10.553	261600860985	<u>79,678</u>
Total Department of Agriculture			<u>311,360</u>
Total Federal Expenditures			<u>\$ 788,476</u>

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016**

Note 1 - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of University Preparatory Charter School for Young Men under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of University Preparatory Charter School for Young Men, it is not intended to and does not present the financial position, change in net assets, or cash flows of University Preparatory Charter School for Young Men.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. University Preparatory Charter School for Young Men has an approved federal indirect cost rate.

Note 3 - Amounts Provided to Subrecipients:

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 17, 2016

To The Board of Directors
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 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.
- Record-keeping appears to be done in a timely, complete 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.

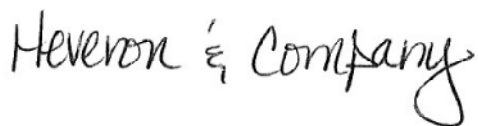
Significant Deficiency:

- The accounting for the School was vastly improved this year. Accounts that required adjustment last year were up-to-date this year. Additionally, your bookkeeper correctly identified fixed asset additions requiring an adjustment. This is great progress; however, there are still some important areas that needed significant adjustment including cash and accounts payable. We proposed an entry, in excess of \$200,000, to to cash this year to clear out items that had been misposted. You should review the bank reconciliation each month and investigate any large or old outstanding items to ensure your cash balance is accurate. Also, you should review the accounts payable aging periodically and ensure all payables are current and valid. These procedures should aid in uncovering any errors and adjusting them so that you have accurate financial statements to review throughout the year.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

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,

A handwritten signature in cursive script that reads "Heveron & Company". The signature is written in black ink and is positioned below the "Sincerely," text.

Heveron & Company CPAs