

**UNIVERSITY PREPARATORY CHARTER
SCHOOL FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2019



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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, 2019 and 2018, 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, 2019, 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 audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

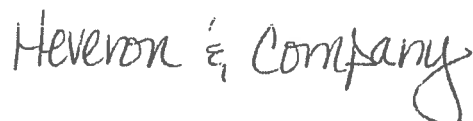
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Preparatory Charter School for Young Men as of June 30, 2019 and 2018, and its cash flows for the years then ended, and the changes in net assets and functional expenses for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited University Preparatory Charter School for Young Men's statements of activities and functional expenses for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of University Preparatory Charter School for Young Men's 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
Certified Public Accountants

Rochester, New York
October 8, 2019

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
BALANCE SHEETS
June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 3,093,522	\$ 3,765,995
Certificates of Deposit	-	232,712
Grants Receivable	209,560	118,279
Accounts Receivable	-	25,683
Prepaid Expenses	<u>46,002</u>	<u>-</u>
 Total Current Assets	 <u>3,349,084</u>	 <u>4,142,669</u>
 <u>Property and Equipment</u>		
Building and Improvements	5,459,409	5,367,465
Furniture and Fixtures	738,066	618,936
Vehicles	47,222	47,222
Less: Accumulated Depreciation	<u>(1,887,907)</u>	<u>(1,522,907)</u>
 Net Property and Equipment	 <u>4,356,790</u>	 <u>4,510,716</u>
 <u>Other Assets</u>		
Escrow Account	<u>75,865</u>	<u>83,895</u>
 Total Other Assets	 <u>75,865</u>	 <u>83,895</u>
 TOTAL ASSETS	 <u>\$ 7,781,739</u>	 <u>\$ 8,737,280</u>

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 56,359	\$ 31,079
Accrued Payroll and Payroll Taxes	<u>223,295</u>	<u>16,304</u>
 Total Liabilities	 <u>279,654</u>	 <u>47,383</u>
 <u>Net Assets</u>		
Without Donor Restrictions:		
Undesignated	7,494,585	8,682,397
With Donor Restrictions:		
Purpose Restrictions	<u>7,500</u>	<u>7,500</u>
 Total Net Assets	 <u>7,502,085</u>	 <u>8,689,897</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,781,739</u>	 <u>\$ 8,737,280</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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor	With Donor	<u>Totals</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2019</u>	<u>2018</u>
<u>Revenue and Other Support</u>				
Public School District:				
Resident Student Enrollment	\$ 4,645,645	\$ -	\$ 4,645,645	\$ 4,825,657
Students with Disabilities	483,962	-	483,962	435,921
Special Charter School Aid	89,670	-	89,670	-
Federal Grants - Title and IDEA	300,929	-	300,929	302,833
Federal - Other	76,719	-	76,719	59,502
State Grants	132,650	-	132,650	16,238
Other Grants and Contributions	17,215	-	17,215	1,702
Food Service Income	259,436	-	259,436	305,894
Other Income	<u>83,263</u>	<u>-</u>	<u>83,263</u>	<u>32,963</u>
Total Revenue and Other Support	<u>6,089,489</u>	<u>-</u>	<u>6,089,489</u>	<u>5,980,710</u>
<u>Expenses</u>				
Program Expenses:				
Regular Education	5,694,996	-	5,694,996	4,508,262
Special Education	612,089	-	612,089	457,232
Food Services	<u>298,178</u>	<u>-</u>	<u>298,178</u>	<u>307,454</u>
Total Program Expenses	<u>6,605,263</u>	<u>-</u>	<u>6,605,263</u>	<u>5,272,948</u>
Supporting Services:				
Management and General	<u>672,038</u>	<u>-</u>	<u>672,038</u>	<u>476,608</u>
Total Expenses	<u>7,277,301</u>	<u>-</u>	<u>7,277,301</u>	<u>5,749,556</u>
Change in Net Assets	(1,187,812)	-	(1,187,812)	231,154
Net Assets - Beginning of Year	<u>8,682,397</u>	<u>7,500</u>	<u>8,689,897</u>	<u>8,458,743</u>
Net Assets - End of Year	<u>\$ 7,494,585</u>	<u>\$ 7,500</u>	<u>\$ 7,502,085</u>	<u>\$ 8,689,897</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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019 No. of Positions	Program Services				Totals	
		Regular Education	Special Education	Food Services	Management and General	2019	2018
Personnel Service Costs							
Instructional Personnel	52	\$ 3,038,489	\$ 399,114	\$ -	\$ -	\$ 3,437,603	\$ 2,698,686
Non-Instructional Personnel	10	188,617	-	80,256	7,942	276,815	268,323
Administrative Personnel	20	452,430	-	-	432,999	885,429	689,078
Total Salaries and Wages	82	3,679,536	399,114	80,256	440,941	4,599,847	3,656,087
Fringe Benefits and Payroll Taxes		677,704	73,510	14,782	81,213	847,209	671,084
Retirement		185,183	20,087	4,039	22,191	231,500	215,000
Total Personnel Services		4,542,423	492,711	99,077	544,345	5,678,556	4,542,171
Depreciation		315,080	31,670	3,650	14,600	365,000	370,303
Other Purchased Services		303,415	32,521	-	11,775	347,711	208,661
Supplies		167,187	18,134	21,574	-	206,895	92,626
Food		-	-	163,126	-	163,126	190,683
Utilities		77,012	7,741	892	3,568	89,213	100,652
Office Expense		40,938	4,441	-	41,701	87,080	63,775
Student Services		72,381	6,877	-	-	79,258	55,844
Staff Development		62,627	5,950	-	-	68,577	29,158
Repairs and Maintenance		51,063	5,133	593	2,365	59,154	25,448
Insurance		24,425	2,455	283	4,191	31,354	26,226
Legal		-	-	-	26,949	26,949	-

**UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended June 30, 2019

**(With Comparative Totals for the Year Ended June 30, 2018)
(Continued)**

	Program Services			Management and General	Totals	
	Regular Education	Special Education	Food Services		2019	2018
Other Expenses	11,232	35	-	6,900	18,167	4,738
Occupancy Expense	5,703	1,680	8,983	806	17,172	14,235
Technology	9,803	1,471	-	3,758	15,032	3,316
Marketing	11,707	1,270	-	-	12,977	10,695
Accounting	-	-	-	11,080	11,080	11,025
Total Expenses	\$ 5,694,996	\$ 612,089	\$ 298,178	\$ 672,038	\$ 7,277,301	\$ 5,749,556

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Cash Flow From Operating Activities</u>		
Receipts from School Districts	\$ 5,150,425	\$ 5,200,477
Federal and State Grant Receipts	480,945	445,582
Food Service Fees	259,436	305,895
Other Grants and Contributions	29,307	8,360
Miscellaneous Sources	83,263	32,963
Payments to Charter School Personnel for Services Rendered	(5,471,565)	(4,540,714)
Payments to Vendors for Goods and Services Rendered	<u>(1,233,951)</u>	<u>(824,604)</u>
Net Cash Flow Provided/(Used) By Operating Activities	<u>(702,140)</u>	<u>627,959</u>
 <u>Cash Flow From Investing Activities</u>		
Purchase of Property and Equipment	(211,075)	(31,793)
Proceeds from Certificates of Deposit	233,292	400,000
Purchase of Certificates of Deposit	<u>(580)</u>	<u>(232,712)</u>
Cash Flow Provided By Investing Activities	<u>21,637</u>	<u>135,495</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents, and Restricted Cash	 (680,503)	 763,454
 Cash and Cash Equivalents, and Restricted Cash - Beginning of Year	 <u>3,849,890</u>	 <u>3,086,436</u>
 Cash and Cash Equivalents, and Restricted Cash - End of Year	 <u>\$ 3,169,387</u>	 <u>\$ 3,849,890</u>

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2019 and 2018
(Continued)

	2019	2018
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Change in Net Assets	\$(1,187,812)	\$ 231,154
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	365,000	370,303
(Increase)/Decrease In:		
Accounts Receivable	25,683	(14,975)
Grants Receivable	(91,281)	75,900
Prepaid Expenses	(46,002)	-
Increase/(Decrease) In:		
Accounts Payable	25,281	(35,880)
Accrued Payroll and Payroll Taxes	206,991	1,457
Net Cash Flows Provided/(Used) By Operating Activities	<u>\$ (702,140)</u>	<u>\$ 627,959</u>

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

**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 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, 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.

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

**June 30, 2019
(Continued)**

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

Net Assets

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 or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2019 and 2018.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(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.

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 \$365,000 and \$370,303 for the years ended June 30, 2019 and 2018, 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. 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, 2019

(Continued)

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

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, 2019 and 2018 are included in management and general expenses.

The financial statements report certain categories of expenses that are attributed to both program and supporting functions. Therefore, allocation on a reasonable basis that is consistently applied is required. The expenses that are allocated include occupancy, repairs and maintenance, insurance and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, other purchased services, student services, supplies, office expenses, and other expenses, which are allocated on the basis of estimates of time and effort for each category.

Reclassifications

Certain account balances as of June 30, 2018 have been reclassified to conform with the presentation as of June 30, 2019.

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 School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

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

Recent Accounting Pronouncements

During 2018, the School adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classifications and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include, when applicable, the presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU No. 2016-14 as of June 30, 2018 follows.

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As Previously Presented:			
Unrestricted	\$ 8,682,397	\$ -	\$ 8,682,397
Temporarily Restricted	-	7,500	7,500
	<u>\$ 8,682,397</u>	<u>\$ 7,500</u>	<u>\$ 8,689,897</u>
Net assets, as reclassified			

NOTE 2 - LIQUIDITY AND AVAILABILITY

The School regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

At June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 3,093,522
Grants receivable	209,560
Less donor restricted net assets	<u>(7,500)</u>
	<u>\$ 3,295,582</u>

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

June 30, 2019

(Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

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. Certain of these accounts are not federally insured. 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.

The School maintains cash in an escrow account in accordance with the terms of their charter agreement. The escrow is restricted to fund legal and other costs related to the dissolution of the School.

Cash and cash equivalents, and restricted cash consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Checking	\$ 174,105	\$ 568,271
Savings and Money Market	2,919,417	3,197,724
Restricted Cash - Escrow Account	<u>75,865</u>	<u>83,895</u>
Total	<u>\$ 3,169,387</u>	<u>\$ 3,849,890</u>

NOTE 4 - EMPLOYEE BENEFIT PLAN

The School has a 403(b) retirement plan. 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 years ended June 30, 2019 and 2018 were \$231,500 and \$215,000, respectively.

NOTE 5 - ACCOUNTING CHANGE

The School has adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Management believes that the adoption of the new accounting standard provides a better presentation of cash flows to the user of its financial statements. Before the change, restricted cash and restricted cash and cash equivalents should not have been included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts reported on the statement of cash flows, but now are since the adoption of the standard.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

NOTE 6 - 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, 2019 and 2018 was \$15,650 and \$16,238, respectively.

NOTE 7 - 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 2019 and 2018, 8 and 10 active volunteers provided 192 and 240 hours of service, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Career and Technical Education Program	<u>\$ 7,500</u>	<u>\$ 7,500</u>

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2019, 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
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, 2019, 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 October 8, 2019.

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.



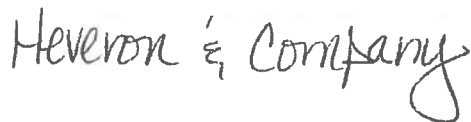
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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*.

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 8, 2019



Auditors' Communications

August 6, 2019

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. Although we did review some of your internal controls, we did not perform an examination of them that would allow us to give an opinion on the adequacy of your controls.

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

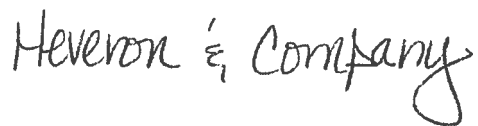
Our general observations are that:

- Recordkeeping appears to be done in a timely, complete and conscientious manner.
- Internal controls are good for an organization of your size and staffing.
- The attitude of management regarding the importance of proper systems and controls seems appropriate.
- We confirm that the significant accounting policies used by management, the significant estimates made by management (about areas such as useful life and collectibility), and the disclosures are appropriate for these financial statements.
- Management may disagree with auditors about areas needed to be accessed for audits or about conclusions that are reached with respect to amounts or disclosures. Management may explain their position and may also reach out to other CPAs or experts. We did not have any such disagreements or difficulties with management.
- We did not become aware of fraud or illegal acts and we did not note any significant financial statement adjustments or unusual transactions.
- Whenever we become aware of adjustments or corrections that are not clearly trivial, we will discuss them with management. No material accounting adjustments were required to make your financial statements materially correct.

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.

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 School's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in black ink that reads "Heveron & Company". The signature is written in a cursive, flowing style.

Heveron & Company CPAs

