

**URBAN ASSEMBLY CHARTER SCHOOL FOR  
COMPUTER SCIENCE**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2019**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

October 15, 2019

Finance Committee  
Urban Assembly Charter School for Computer Science

We have audited the financial statements of Urban Assembly Charter School for Computer Science as of June 30, 2019 and for the period from August 29, 2016 (date of inception) to June 30, 2019, and have issued our report thereon dated October 15, 2019. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 17, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Urban Assembly Charter School for Computer Science solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Urban Assembly Charter School for Computer Science is included in Note A to the financial statements. As disclosed in Note A to the financial statements, during the year, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profits*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of costs for the statement of functional expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Urban Assembly Charter School for Computer Science's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

## **Significant Difficulties Encountered during the Audit**

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material either individually or in the aggregate, to the financial statements as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Urban Assembly Charter School for Computer Science's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with Urban Assembly Charter School for Computer Science, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Urban Assembly Charter School for Computer Science's auditors.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## Internal Control Matters

We did not identify any deficiencies in internal control that we considered to be material weaknesses.

\* \* \* \* \*

Should you desire further information concerning these matters, Michelle Cain or Kate Welc will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Urban Assembly Charter School for Computer Science and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

MENGEL, METZGER, BARR & CO. LLP

**URBAN ASSEMBLY CHARTER SCHOOL FOR  
COMPUTER SCIENCE**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2019**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	17
Schedule of Activities for the year ended June 30, 2019 and the period from August 29, 2016 (date of inception) to June 30, 2018	18
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Urban Assembly Charter School for Computer Science

**Report on the Financial Statements**

We have audited the accompanying financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from August 29, 2016 (date of inception) to 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Urban Assembly Charter School for Computer Science as of June 30, 2019, and the changes in its net assets, functional expenses, and its cash flows for the period from August 29, 2016 (date of inception) to June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of Urban Assembly Charter School for Computer Science'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 Urban Assembly Charter School for Computer Science's internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 15, 2019

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 600,057
Grants and contracts receivable	38,032
Prepaid expenses	<u>1,497</u>
TOTAL CURRENT ASSETS	639,586

PROPERTY AND EQUIPMENT, net 651,963

CASH IN ESCROW 25,001

TOTAL ASSETS \$ 1,316,550

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses \$ 103,298

NOTE PAYABLE 500,000

TOTAL LIABILITIES 603,298

NET ASSETS, without donor restrictions 713,252

TOTAL LIABILITIES AND NET ASSETS \$ 1,316,550

The accompanying notes are an integral part of the financial statements.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM AUGUST 29, 2016 (DATE OF INCEPTION) TO JUNE 30, 2019

Revenue, gains and other support:		
Public school district:		
Resident student enrollment		\$ 1,677,081
Students with disabilities		385,852
Grants and contracts:		
State and local		268,985
Federal - Title and IDEA		107,821
Federal - other		<u>824,901</u>
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,264,640
Expenses		
Program services:		
Regular education		2,288,453
Special education		<u>1,016,850</u>
Total program services		3,305,303
Management and general		361,629
Fundraising		<u>83,824</u>
	TOTAL OPERATING EXPENSES	<u>3,750,756</u>
	DEFICIT FROM SCHOOL OPERATIONS	(486,116)
Support and other revenue		
Contributions:		
Individuals		804,367
Corporations		395,000
Interest income		<u>1</u>
	TOTAL SUPPORT AND OTHER REVENUE	<u>1,199,368</u>
	CHANGE IN NET ASSETS	713,252
Net assets at beginning of period		<u>-</u>
	NET ASSETS AT END OF PERIOD	<u>\$ 713,252</u>

The accompanying notes are an integral part of the financial statements.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM AUGUST 29, 2016 (DATE OF INCEPTION) TO JUNE 30, 2019

	No. of Positions	Program Services			Management and General			Total
		Regular Education	Special Education	Sub-total	Fundraising	Sub-total		
Personnel services costs:								
Administrative staff personnel	7	456,537	\$ 207,440	\$ 663,977	\$ 55,749	\$ 191,649	\$ 247,398	\$ 911,375
Instructional personnel	14	763,138	372,131	1,135,269	-	-	-	1,135,269
Total salaries and staff	21	1,219,675	579,571	1,799,246	55,749	191,649	247,398	2,046,644
Fringe benefits and payroll taxes		205,447	97,625	303,072	9,391	32,282	41,673	344,745
Retirement		13,475	6,403	19,878	616	2,117	2,733	22,611
Financial management services		99,066	47,074	146,140	4,528	15,566	20,094	166,234
Legal services		355	168	523	16	56	72	595
Accounting/Audit services		-	-	-	-	23,900	23,900	23,900
Other Purchased/Professional/ Consulting Services		113,559	48,271	161,830	4,309	62,678	66,987	228,817
Repairs and maintenance		1,215	577	1,792	55	191	246	2,038
Insurance		13,223	6,283	19,506	604	2,078	2,682	22,188
Utilities		19,561	9,295	28,856	894	3,074	3,968	32,824
Supplies/Materials		110,060	35,430	145,490	-	-	-	145,490
Equipment/Furnishings		23,289	8,971	32,260	439	1,511	1,950	34,210
Staff development		168,309	56,403	224,712	662	2,277	2,939	227,651
Marketing/Recruitment		55,755	19,760	75,515	-	1,695	1,695	77,210
Technology		16,429	7,806	24,235	751	2,581	3,332	27,567
Food service		17,194	5,535	22,729	-	-	-	22,729
Student services		84,722	27,274	111,996	-	-	-	111,996
Office expense		11,150	5,299	16,449	510	1,752	2,262	18,711
Depreciation and amortization		97,806	46,475	144,281	4,470	15,368	19,838	164,119
Other		18,163	8,630	26,793	830	2,854	3,684	30,477
		<u>\$ 2,288,453</u>	<u>\$ 1,016,850</u>	<u>\$ 3,305,303</u>	<u>\$ 83,824</u>	<u>\$ 361,629</u>	<u>\$ 445,453</u>	<u>\$ 3,750,756</u>

The accompanying notes are an integral part of the financial statements.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF CASH FLOWS

PERIOD FROM AUGUST 29, 2016 (DATE OF INCEPTION) TO JUNE 30, 2019

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 713,252
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	164,119
Changes in certain assets and liabilities affecting operations:	
Grants and contracts receivable	(38,032)
Prepaid expenses	(1,497)
Accounts payable and accrued expenses	<u>103,298</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	941,140

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	(816,082)
Cash in escrow	<u>(25,001)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(841,083)

CASH FLOWS - FINANCING ACTIVITIES

Borrowings on note payable	<u>500,000</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>500,000</u>
NET INCREASE IN CASH	600,057
Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 600,057</u>

The accompanying notes are an integral part of the financial statements.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Urban Assembly Charter School for Computer Science (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides a full range of educational services appropriate for grades nine through twelve. On August 29, 2016, the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The term expires July 31, 2022.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Charter School are reported in the following self-balancing net asset groups:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

*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. The Charter School had no net assets with donor restrictions at June 30, 2019.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Charter School. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$25,001 at June 30, 2019.

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from two to seven years.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. In addition, the Charter School received donated transportation services that was provided for the students from the local district. The Charter School was unable to determine a value for these services.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2018 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruitment costs approximated \$77,200 for the period August 29, 2016 (date of inception) to June 30, 2019.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
  - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
  - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.



URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

- c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
- d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
- e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017. The Charter School has adopted the amendments.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay this ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020, and for interim periods with fiscal years beginning after December 15, 2021. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for the period ended June 30, 2019.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 600,057
Grants and contracts receivable	<u>38,032</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 638,089</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consisted of the following:

Leasehold improvements	\$ 544,416
Furniture and fixtures	208,890
Computer equipment	<u>62,776</u>
	816,082
Less accumulated depreciation and amortization	<u>164,119</u>
	<u>\$ 651,963</u>

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE D: NOTE PAYABLE

In June 2018, the Charter School entered into an unsecured loan agreement with a lender to borrow up to \$700,000 through October 31, 2019. The loan is payable in two equal installments of principal plus all accrued and unpaid interest at 2.5%, due July 15, 2022 and July 15, 2023. At June 30, 2019, there was \$500,000 outstanding.

NOTE E: NET ASSETS

Net assets without donor restrictions at June 30, 2019 are as follows:

Undesignated	\$ 561,289
Invested in property and equipment, net of related debt	<u>151,963</u>
	<u>\$ 713,252</u>

NOTE F: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Charter School at no charge under a verbal agreement. Total approximate square footage usage as of June 30, 2019 was 20,000 square feet of classroom space and access to an additional 20,000 square feet consisting of an auditorium, gym, and cafeteria.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE H: CONCENTRATIONS

At June 30, 2019, approximately 93% of grants and contracts receivable are due from federal agencies relating to certain grants.

During the period from August 29, 2016 (date of inception) through June 30, 2019, approximately 63% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

One federal start-up grant accounted for approximately 24% of total operating revenue and support for the period from August 29, 2016 (date of inception) through June 30, 2019.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are eligible to participate in the Plan after attaining the age of 21 and three months of service. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School will make a safe harbor contribution equal to 3% the employee's annual compensation. The Charter School may also contribute a discretionary non-matching contribution to the Plan. The Charter School made a safe harbor contribution of approximately \$22,600 to the Plan for the period from August 29, 2016 (date of inception) through June 30, 2019. The Charter School did not make an additional discretionary non-matching contribution for the period from August 29, 2016 (date of inception) through June 30, 2019.

NOTE J: OPERATING LEASE

The Charter School entered into a non-cancelable lease agreement for office equipment expiring May 2023. The future minimum payments on this agreement are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 3,600
2021	3,600
2022	3,600
2023	3,300
	<u>\$ 14,100</u>

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: COMMITMENTS

In December 2017, the Charter School entered into an agreement with The Urban Assembly, Inc. to provide on-going school support and professional development. The agreement continues through June 30, 2023. The future minimum payments on this agreement are approximately \$60,000 annually.

Total expense for the period August 26, 2016 (date of inception) through June 30, 2019, which included additional fees related to the planning years, was approximately \$180,000.

**URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Urban Assembly Charter School for Computer Science

We have audited the financial statements of Urban Assembly Charter School for Computer Science as of June 30, 2019 and for the period from August 29, 2016 (date of inception) to June 30, 2019, and have issued our report thereon dated October 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 for the period from August 29, 2016 (date of inception) to June 30, 2019.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 15, 2019

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 AND THE PERIOD FROM  
AUGUST 29, 2016 (DATE OF INCEPTION) TO JUNE 30, 2018

	Year ended June 30, 2019	Period from August 29, 2016 (date of inception) to June 30, 2018	Total
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 1,677,081	\$ -	\$ 1,677,081
Students with disabilities	385,852	-	385,852
Grants and contracts:			
State and local	268,985	-	268,985
Federal - Title and IDEA	107,821	-	107,821
Federal - other	241,253	583,648	824,901
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>2,680,992</u>	<u>583,648</u>	<u>3,264,640</u>
Personnel services costs:			
Administrative staff personnel	592,567	318,808	911,375
Instructional personnel	<u>1,064,545</u>	<u>70,724</u>	<u>1,135,269</u>
Total salaries and staff	1,657,112	389,532	2,046,644
Fringe benefits and payroll taxes	291,022	53,723	344,745
Retirement	22,611	-	22,611
Financial management services	125,618	40,616	166,234
Legal services	140	455	595
Accounting/Audit services	21,900	2,000	23,900
Other Purchased/Professional/Consulting Services	84,997	143,820	228,817
Repairs and maintenance	1,683	355	2,038
Insurance	21,218	970	22,188
Utilities	32,824	-	32,824
Supplies/Materials	145,490	-	145,490
Equipment/Furnishings	29,526	4,684	34,210
Staff development	90,737	136,914	227,651
Marketing/Recruitment	43,999	33,211	77,210
Technology	26,324	1,243	27,567
Food service	22,729	-	22,729
Student services	108,496	3,500	111,996
Office expense	17,173	1,538	18,711
Depreciation and amortization	164,119	-	164,119
Other	29,130	1,347	30,477
TOTAL OPERATING EXPENSES	<u>2,936,848</u>	<u>813,908</u>	<u>3,750,756</u>
DEFICIT FROM SCHOOL OPERATIONS	(255,856)	(230,260)	(486,116)
Support and other revenue:			
Contributions:			
Individuals	36,033	768,334	804,367
Corporations	155,000	240,000	395,000
Interest income	1	-	1
TOTAL SUPPORT AND OTHER REVENUE	<u>191,034</u>	<u>1,008,334</u>	<u>1,199,368</u>
CHANGE IN NET ASSETS	<u>\$ (64,822)</u>	<u>\$ 778,074</u>	<u>\$ 713,252</u>

**URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



INDEPENDENT AUDITOR'S 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

Board of Trustees  
Urban Assembly Charter School for Computer Science

We have audited, 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, the financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from August 29, 2016 (date of inception) to June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Urban Assembly Charter School for Computer Science's internal control over financial reporting (internal control) to determine the audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Assembly Charter School for Computer Science's internal control. Accordingly, we do not express an opinion on the effectiveness of Urban Assembly Charter School for Computer Science'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Urban Assembly Charter School for Computer Science's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 15, 2019

**URBAN ASSEMBLY CHARTER SCHOOL FOR  
COMPUTER SCIENCE**

**AGREED UPON PROCEDURES**

**PERIOD FROM  
AUGUST 29, 2016 (Date of Inception)  
TO JUNE 30, 2019**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

INDEPENDENT ACCOUNTANT’S REPORT ON CSP FUNDING

Board of Trustees  
Urban Assembly Charter School for Computer Science

We have performed the procedures enumerated below, which were agreed to by the management of Urban Assembly Charter School for Computer Science (the “Charter School”) and the New York State Education Department (“NYSED”), solely to assist the specified parties in evaluating the Charter School’s assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant. The Charter School’s management is responsible for these procedures. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which the report has been requested or for any other purpose.

The procedures we performed and the related results are as follows:

**Procedure #1:** We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the Charter School’s accounting software and reconcile to the grant revenue recorded by the Charter School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

**Result**

We observed that the detail of expenditures agreed to the Charter School’s CSP revenue.

**Procedure #2:** We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

**Result**

We observed the Charter School’s approved FS-10, FS-10-A, and final expenditure summary, and it appears that revenue and expenditures in the period are reasonable.

**Procedure #3:** We will select a sample of expenditures from the detail obtained in Procedure #1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenditures – We will select 10 items or 10% of the total number of other expenditures items charged to the grant, whichever is less.
- c. Using the above selected items, we will:
  - i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
  - ii. Determine if the expenditure falls into an approved budget category.
  - iii. Determine if the expenditure was charged to the appropriate fiscal period.

**Result**

We selected a sample of ten payroll items and seven other expenditures. Based on our testing, we noted that the payroll items and other expenditures fall into the appropriate budget category and that the payroll items and other expenditures were charged to the appropriate fiscal period. For all selections, we observed that the payroll items and other expenditures were in accordance with the purpose of the grant, and that pre-opening payrolls and other expenditures were charged to pre-opening periods.

**Procedure #4:** We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure #3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible charter school officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within one month following the date of the request.

**Result**

We obtained the Charter School's FS-25s and noted the selected items were appropriately included in the request for reimbursement. The requests for reimbursement appear to be in the appropriate period. The Charter School had three FS-25s during the period which had a balance on Line 4 (Cash Expenditures Anticipated During Next Month). We examined one FS-25 Line 4 balance and noted that the amount was properly expended within one month following the date of the request.

**Procedure # 5:** For schools with a weighted lottery during the period under review we will:

- a. Obtain documentation that the school received permission from the NYSED Charter School Office for the weighted lottery.
- b. Obtain the results of the weighted lottery.
  - Note that weighted lotteries must be conducted using the NYSED Weighted Lottery Generator (WLG). When the WLG is used, a copy of the 'lottery PDF' should be observed. (This PDF is generated after the WLG has conducted the lottery.)

**Result**

The Charter School did not hold a weighted lottery during the period under review.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, on these procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Urban Assembly Charter School for Computer Science and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
August 7, 2019