

**UNIVERSITY PREPARATORY CHARTER SCHOOL
FOR YOUNG MEN**

FINANCIAL STATEMENTS

June 30, 2013



Heveron & Company



Certified Public Accountants

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Balance Sheets | 3 |
| Statements of Activities | 5 |
| Statement of Functional Expenses | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 9 |
| SUPPLEMENTARY INFORMATION | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 15 |

Since 1972

260 Plymouth Ave. South
Rochester, New York 14608-2239
(585) 232-2956 Fax: (585) 423-0599
www.heveroncpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of University Preparatory Charter School for Young Men (a nonprofit organization), which comprise the balance sheets as of June 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Preparatory Charter School for Young Men as of June 30, 2013 and 2012 and its changes in net assets and cash flows for the years then ended and the functional expenses for the year ended June 30, 2013 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 statement of functional expenses for the year ended June 30, 2012, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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, 2013 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.



Haveron & Company CPAs

Rochester, New York
October 8, 2013

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN

BALANCE SHEETS

June 30, 2013 and 2012

ASSETS

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|---------------------|---------------------|
| <u>Current Assets</u> | | |
| Cash | \$ 2,142,045 | \$ 1,895,493 |
| Accounts Receivable | 10,407 | 13,378 |
| Grants Receivable | <u>56,608</u> | <u>210,883</u> |
| Total Current Assets | <u>2,209,060</u> | <u>2,119,754</u> |
| <u>Property and Equipment</u> | | |
| Building and Improvements | 897,536 | 720,391 |
| Furniture and Fixtures | 184,976 | 157,346 |
| Construction in Progress | 1,412,472 | 84,954 |
| Less: Accumulated Depreciation | <u>(217,885)</u> | <u>(127,210)</u> |
| Net Property and Equipment | <u>2,277,099</u> | <u>835,481</u> |
| TOTAL ASSETS | <u>\$ 4,486,159</u> | <u>\$ 2,955,235</u> |

LIABILITIES AND NET ASSETS

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|---------------------|---------------------|
| <u>Current Liabilities</u> | | |
| Accounts Payable | \$ 583,918 | \$ 162,276 |
| Accrued Payroll and Payroll Taxes | 4,783 | 4,326 |
| Current Portion of Long Term Debt | <u>70,434</u> | <u>67,341</u> |
| Total Current Liabilities | <u>659,135</u> | <u>233,943</u> |
| Long-Term Debt | <u>411,332</u> | <u>481,746</u> |
| Total Liabilities | <u>1,070,467</u> | <u>715,689</u> |
| <u>Net Assets</u> | | |
| Unrestricted | <u>3,415,692</u> | <u>2,239,546</u> |
| Total Net Assets | <u>3,415,692</u> | <u>2,239,546</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,486,159</u> | <u>\$ 2,955,235</u> |

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF ACTIVITIES

For The Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|--------------------------------|--------------------------------|
| <u>Revenue and Other Support</u> | | |
| Public School District: | | |
| Revenue - Resident Student Enrollment | \$ 3,635,672 | \$ 2,840,818 |
| Revenue - Students with Disabilities | 474,487 | 405,994 |
| Other Revenue | 35,592 | 34,905 |
| Federal Grants | 402,375 | 481,100 |
| Food Service Income | 157,254 | 136,775 |
| Contributions | 1,810 | 680 |
| Miscellaneous Income | <u>3,652</u> | <u>610</u> |
| Total Revenue and Other Support | <u>4,710,842</u> | <u>3,900,882</u> |
| <u>Expenses</u> | | |
| Program Expenses: | | |
| Regular Education | 2,291,577 | 1,675,816 |
| Special Education | 194,693 | 135,162 |
| Food Services | 288,230 | 201,115 |
| Supporting Services: | | |
| Management and General | <u>760,196</u> | <u>597,878</u> |
| Total Expenses | <u>3,534,696</u> | <u>2,609,971</u> |
| Excess of Revenues and Other | | |
| Support Over Expenses | 1,176,146 | 1,290,911 |
| Net Assets - Beginning of Year | <u>2,239,546</u> | <u>948,635</u> |
| Net Assets - End of Year | <u><u>\$ 3,415,692</u></u> | <u><u>\$ 2,239,546</u></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, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

| | Program Services | | | Management and General | Total | |
|--------------------------|----------------------|----------------------|------------------|---------------------------|--------------|--------------|
| | Regular Education | Special Education | Food Services | | 2013 | 2012 |
| Salaries and Wages | \$ 1,549,515 | \$ 161,743 | \$ 78,533 | \$ 464,479 | \$ 2,254,270 | \$ 1,565,855 |
| Payroll Taxes | 131,252 | 13,701 | 6,652 | 39,344 | 190,949 | 125,410 |
| Employee Benefits | 184,412 | 19,249 | 9,346 | 55,280 | 268,287 | 107,900 |
| Total Personal Services | 1,865,179 | 194,693 | 94,531 | 559,103 | 2,713,506 | 1,799,165 |
| Supplies and Materials | 180,968 | - | - | - | 180,968 | 156,862 |
| Food | - | - | 161,097 | - | 161,097 | 115,109 |
| Outside Services | 29,162 | - | - | 82,158 | 111,320 | 102,030 |
| Depreciation | 63,473 | - | 13,601 | 13,601 | 90,675 | 73,446 |
| Occupancy Expense | 42,654 | - | 11,815 | 23,369 | 77,838 | 65,840 |
| Office Expense | 15,989 | - | - | 31,448 | 47,437 | 36,500 |
| Travel | 38,568 | - | 110 | 2,032 | 40,710 | 30,338 |
| Professional Fees | 6,931 | - | - | 30,752 | 37,683 | 134,074 |
| Interest Expense | 16,346 | - | 3,503 | 3,502 | 23,351 | 26,289 |
| Repairs and Maintenance | 15,271 | - | 3,272 | 3,273 | 21,816 | 23,239 |
| Technology Expense | 15,008 | - | - | 5,003 | 20,011 | 34,113 |
| Other Expenses | 183 | - | 301 | 5,830 | 6,314 | 5,169 |
| Training and Conferences | 1,845 | - | - | 125 | 1,970 | 7,797 |
| Total Expenses | \$ 2,291,577 | \$ 194,693 | \$ 288,230 | \$ 760,196 | \$ 3,534,696 | \$ 2,609,971 |

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, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------------|----------------------------|
| <u>Cash Flow From Operating Activities</u> | | |
| Receipts from School Districts | \$ 4,129,870 | \$ 3,404,023 |
| Grant Receipts | 556,650 | 331,522 |
| Food Service Fees | 155,431 | 139,143 |
| Contributions | 1,810 | 680 |
| Miscellaneous Sources | 3,652 | 610 |
| Payments to Charter School Personnel for Services Rendered | (2,713,050) | (1,918,997) |
| Payments to Vendors for Goods and Services Rendered | <u>(288,197)</u> | <u>(721,820)</u> |
| Net Cash Flow Provided By Operating Activities | <u>1,846,166</u> | <u>1,235,161</u> |
| <u>Cash Flow From Investing Activities</u> | | |
| Purchase of Property and Equipment | <u>(1,532,293)</u> | <u>(155,729)</u> |
| Cash Flow Used By Investing Activities | <u>(1,532,293)</u> | <u>(155,729)</u> |
| <u>Cash Flow From Financing Activities</u> | | |
| Payments on Long Term Debt | <u>(67,321)</u> | <u>(64,383)</u> |
| Cash Flow Used By Financing Activities | <u>(67,321)</u> | <u>(64,383)</u> |
| Net Increase in Cash and Cash Equivalents | 246,552 | 1,015,049 |
| Cash and Cash Equivalents - Beginning of Year | <u>1,895,493</u> | <u>880,444</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 2,142,045</u></u> | <u><u>\$ 1,895,493</u></u> |
| <u>Supplemental Disclosures</u> | | |
| Cash Paid During The Year For: | | |
| Interest | <u><u>\$ 23,351</u></u> | <u><u>\$ 26,289</u></u> |

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2013 and 2012

(Continued)

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| <u>Reconciliation of Change in Net Assets to Net Cash</u> | | |
| <u>Provided by Operating Activities</u> | | |
| Change in Net Assets | \$ 1,176,146 | \$ 1,290,911 |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Provided by Operating Activities: | | |
| Depreciation | 90,675 | 73,446 |
| (Increase)/Decrease In: | | |
| Accounts Receivable | 2,971 | 29,655 |
| Grants Receivable | 154,275 | (139,392) |
| Prepaid Expenses | - | 7,817 |
| Increase/(Decrease) In: | | |
| Accounts Payable | 421,642 | 102,742 |
| Accrued Payroll | 457 | (119,832) |
| Deferred Revenue | <u>-</u> | <u>(10,186)</u> |
| Net Cash Flows Provided By Operating Activities | <u>\$ 1,846,166</u> | <u>\$ 1,235,161</u> |

See Independent Auditors' Report and Notes to Financial Statements.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

University Preparatory Charter School for Young Men (the School) is a not-for-profit educational organization in Rochester, New York. It was formed to be a small school for young men with personalized attention for each student. The School provides a safe and secure learning environment where respect and compassion are values for adults and students. The School began with grades 7 and 8 for the school year ended June 30, 2011 and added grades 10 and 11 during the school years ended June 30, 2012 and 2013, respectively. It will grow each year by one grade until the School houses grades 7 through 12.

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, 2013
(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.

There were no temporarily or permanently restricted net assets as of June 30, 2013 and 2012.

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.

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.

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 year-end.

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(Continued)

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

Contributions

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

Property and Equipment

Property and equipment are stated at cost. The School capitalizes property and equipment with a cost of over \$1,000 and an estimated life of more than one year. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, as follows.

| | <u>Years</u> |
|---------------------------|--------------|
| Computer Equipment | 3-5 |
| Furniture and Fixtures | 3-5 |
| Building and Improvements | 20 |

Depreciation expense amounted to \$90,675 and \$73,446 for the years ended June 30, 2013 and 2012, respectively.

The School also had construction in progress of \$1,412,472 and \$84,954 at June 30, 2013 and 2012, respectively, related to renovation of a newly acquired school building and renovation of the neighboring convent building which will be for additional instructional space.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, which, at times, may exceed federally insured limits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The School has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Cash and cash equivalents consisted of a checking account at June 30, 2013 and 2012.

Advertising

Advertising costs are expensed as incurred.

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

June 30, 2013

(Continued)

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

Income Taxes

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

Accounting standards require entities to disclose in their financial statements the nature of any uncertain tax positions. Tax years including the year ended June 30, 2010 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The School does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The School is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Retirement Plan

During the year ended June 30, 2012, the School adopted a Simple IRA retirement plan for all employees. Eligible employees can make contributions to the plan. The School will match the first 3% of an eligible employee's contribution, up to \$11,500 per year. Employees are fully and immediately vested in all contributions. Employer contributions for the years ended June 30, 2013 and 2012 were \$14,227 and \$5,421, respectively.

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and management and general. An immaterial amount of fundraising costs for the years ended June 30, 2013 and 2012 are included in management and general expenses.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total. 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, 2012 from which the summarized information was derived.

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

**June 30, 2013
(Continued)**

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 2013 and 2012, 10 and 15 active volunteers provided 240 and 176 hours of service, respectively.

NOTE 3 - LONG TERM DEBT

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

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Note payable to Sisters of Saint Joseph of Rochester, Inc., originally in the amount of \$670,000. This note bears interest at a rate of 4.5%. Principal and interest are payable in monthly installments of \$7,556 through July 1, 2019. | \$ 481,766 | \$ 549,087 |
| Less: Current Maturities | <u>70,434</u> | <u>67,341</u> |
| Long-Term Portion | <u>\$ 411,332</u> | <u>\$ 481,746</u> |

Maturities of long-term debt for the years after June 30, 2014 are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2015 | \$ 73,670 |
| 2016 | 77,054 |
| 2017 | 80,594 |
| 2018 | 84,297 |
| 2019 | 88,169 |
| Thereafter | <u>7,548</u> |
| Total | <u>\$ 411,332</u> |

UNIVERSITY PREPARATORY CHARTER SCHOOL FOR YOUNG MEN
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(Continued)

NOTE 4 - SPECIAL EDUCATION AND OTHER SUPPORT

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

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

The School also receives State Aid in the form of textbooks, computer hardware, computer software and library materials through the Rochester City School District. The total aid received for the years ended June 30, 2013 and 2012 was \$35,593 and \$34,905, respectively.

NOTE 5 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment affecting the year ended June 30, 2012 was made. The June 30, 2012 comparative financial statements have been restated to reflect this adjustment. The adjustment was necessary to record income and expenses in the proper period. The net adjustment was a decrease of \$86,288 in Unrestricted Net Assets.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2013, which is the date the statements were available for issuance.

Since 1972

260 Plymouth Ave. South
Rochester, New York 14608-2239
(585) 232-2956 Fax: (585) 423-0599
www.heveroncpa.com

**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**

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

We have audited the financial statements of University Preparatory Charter School for Young Men as of and for the year ended June 30, 2013, and have issued our report thereon dated October XX, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered University Preparatory Charter School for Young Men's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of University Preparatory Charter School for Young Men's internal control over financial reporting.

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 combination of control 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 in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

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*.

We noted certain other matters that we reported to management of University Preparatory Charter School for Young Men in a separate letter dated September 25, 2013.

This report is intended for the information of management, and the New York State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

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

Haveron & Company CPAs

Rochester, New York

October 8, 2013