

**UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)**

**Combined and Combining Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2022 and 2021



UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combined and Combining Financial Statements and Supplemental Schedules
For the Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
University Prep Public Charter Schools

Opinion

We have audited the accompanying combined and combining financial statements of University Prep Public Charter Schools (formerly University Prep Charter High School) (the "School"), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combining statements of activities and functional expenses and combined statements of cash flows for the years then ended, and the related notes to the combined and combining financial statements.

In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of University Prep Public Charter Schools as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Combined and Combining Financial Statements section of our report. We are required to be independent of University Prep Public Charter Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in fiscal year 2022, the School adopted new accounting guidance: 2020-07, *Not-for-Profit Entities* (Topic 958) *Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Combined and Combining Financial Statements

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

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— With offices in New Jersey and Maryland —

In preparing the combined and combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about University Prep Public Charter School's ability to continue as a going concern within one year after the date that the combined and combining financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined and Combining Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined and combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined and combining financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined and combining financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined and combining financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University Prep Public Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined and combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University Prep Public Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

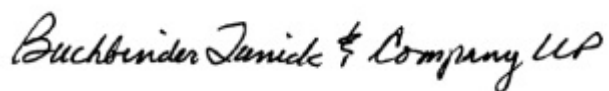
Other Matters - Supplemental Schedules

Our 2022 audit was conducted for the purpose of forming an opinion on the combined and combining financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the combined and combining 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 combined and combining financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined and combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined and combining financial statements or to the combined and combining 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 in the accompanying schedule is fairly stated, in all material respects, in relation to the 2022 combined and combining financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of University Prep Public Charter Schools' 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 Prep Public Charter Schools' internal control over financial reporting and compliance.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 27, 2022

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combined Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 2,814,750	\$ 4,002,050
Restricted cash	151,142	150,989
Grants and other receivables	4,234,095	2,058,714
Prepaid expenses	183,493	116,010
Property assets, net	<u>1,825,915</u>	<u>1,343,138</u>
Total assets	<u>\$ 9,209,395</u>	<u>\$ 7,670,901</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 474,109	\$ 630,090
Accrued payroll and payroll taxes	1,204,979	1,357,028
Accrued sick and vacation pay	<u>451,725</u>	<u>388,689</u>
Total liabilities	<u>2,130,813</u>	<u>2,375,807</u>
Net assets:		
Without donor restrictions	7,078,582	5,220,078
With donor restrictions	<u>-</u>	<u>75,016</u>
Total net assets	<u>7,078,582</u>	<u>5,295,094</u>
Total liabilities and net assets	<u>\$ 9,209,395</u>	<u>\$ 7,670,901</u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combining Statement of Activities
For the year ended June 30, 2022

	High School			Middle School			Total		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenue:									
Local per pupil operating revenue - resident student enrollment	\$ 7,104,227	\$ 7,104,227	\$ -	\$ 6,367,028	\$ 6,367,028	\$ -	\$ 13,471,255	\$ 13,471,255	\$ -
Local per pupil operating revenue - students with disabilities	1,103,939	1,103,939	-	1,225,685	1,225,685	-	2,329,624	2,329,624	-
Other grants	152,310	152,310	-	203,534	203,534	-	355,844	355,844	-
Government grants	1,122,268	1,122,268	-	1,645,188	1,645,188	-	2,767,456	2,767,456	-
Contributed Rent	2,131,268	2,131,268	-	1,910,888	1,910,888	-	4,042,156	4,042,156	-
Interest income	2,244	2,244	-	1,716	1,716	-	3,960	3,960	-
Net assets released from purpose restrictions	-	46,939	(46,939)	-	28,077	(28,077)	-	75,016	(75,016)
Total revenue	<u>11,616,256</u>	<u>11,663,195</u>	<u>(46,939)</u>	<u>11,354,039</u>	<u>11,382,116</u>	<u>(28,077)</u>	<u>22,970,295</u>	<u>23,045,311</u>	<u>(75,016)</u>
Expenses:									
Program services:									
Regular education	7,897,490	7,897,490	-	6,166,247	6,166,247	-	14,063,737	14,063,737	-
Special education	2,149,214	2,149,214	-	2,064,930	2,064,930	-	4,214,144	4,214,144	-
Supporting services:									
Management and general	<u>1,295,516</u>	<u>1,295,516</u>	<u>-</u>	<u>1,613,410</u>	<u>1,613,410</u>	<u>-</u>	<u>2,908,926</u>	<u>2,908,926</u>	<u>-</u>
Total expenses	<u>11,342,220</u>	<u>11,342,220</u>	<u>-</u>	<u>9,844,587</u>	<u>9,844,587</u>	<u>-</u>	<u>21,186,807</u>	<u>21,186,807</u>	<u>-</u>
Change in net assets	274,036	320,975	(46,939)	1,509,452	1,537,529	(28,077)	1,783,488	1,858,504	(75,016)
Net assets:									
Beginning of year	<u>4,187,499</u>	<u>4,140,560</u>	<u>46,939</u>	<u>1,107,595</u>	<u>1,079,518</u>	<u>28,077</u>	<u>5,295,094</u>	<u>5,220,078</u>	<u>75,016</u>
End of year	<u>\$ 4,461,535</u>	<u>\$ 4,461,535</u>	<u>\$ -</u>	<u>\$ 2,617,047</u>	<u>\$ 2,617,047</u>	<u>\$ -</u>	<u>\$ 7,078,582</u>	<u>\$ 7,078,582</u>	<u>\$ -</u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combining Statement of Activities
For the year ended June 30, 2021

	High School			Middle School			Total		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Revenue:									
Local per pupil operating revenue - resident student enrollment	\$ 7,300,901	\$ 7,300,901	\$ -	\$ 4,699,094	\$ 4,699,094	\$ -	\$ 11,999,995	\$ 11,999,995	\$ -
Local per pupil operating revenue - students with disabilities	710,898	710,898	-	599,597	599,597	-	1,310,495	1,310,495	-
Other grants	158,882	158,882	-	67,390	67,390	-	226,272	226,272	-
Government grants	1,016,445	-	1,016,445	1,204,676	-	1,204,676	2,221,121	-	2,221,121
Contributed Rent	2,180,353	2,180,353	-	1,408,989	1,408,989	-	3,589,342	3,589,342	-
Contributions	2,500	2,500	-	12,270	12,270	-	14,770	14,770	-
Interest income	2,459	2,459	-	1,389	1,389	-	3,848	3,848	-
Other income	572	572	-	-	-	-	572	572	-
Net assets released from purpose restrictions	-	1,014,542	(1,014,542)	-	1,190,510	(1,190,510)	-	2,205,052	(2,205,052)
Total revenue	11,373,010	11,371,107	1,903	7,993,405	7,979,239	14,166	19,366,415	19,350,346	16,069
Expenses:									
Program services:									
Regular education	7,055,522	7,055,522	-	3,897,049	3,897,049	-	10,952,571	10,952,571	-
Special education	1,802,566	1,802,566	-	1,376,204	1,376,204	-	3,178,770	3,178,770	-
Supporting services:									
Management and general	1,256,965	1,256,965	-	1,196,263	1,196,263	-	2,453,228	2,453,228	-
Total expenses	10,115,053	10,115,053	-	6,469,516	6,469,516	-	16,584,569	16,584,569	-
Change in net assets	1,257,957	1,256,054	1,903	1,523,889	1,509,723	14,166	2,781,846	2,765,777	16,069
Net assets:									
Beginning of year	2,929,542	2,884,506	45,036	(416,294)	(430,205)	13,911	2,513,248	2,454,301	58,947
End of year	\$ 4,187,499	\$ 4,140,560	\$ 46,939	\$ 1,107,595	\$ 1,079,518	\$ 28,077	\$ 5,295,094	\$ 5,220,078	\$ 75,016

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combining Statement of Functional Expenses
For the year ended June 30, 2022

	High School				Middle School				Total			
	Program Services		Supporting Services		Program Services		Supporting Services		Program Services		Supporting Services	
	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total
Salaries - instructional personnel	\$ 2,960,582	\$ 916,842	\$ 1,937	\$ 3,879,361	\$ 2,058,744	\$ 826,577	\$ -	\$ 2,885,321	\$ 5,019,326	\$ 1,743,419	\$ 1,937	\$ 6,764,682
Salaries - administrative staff personnel	1,082,266	215,259	424,418	1,721,943	705,947	144,084	538,246	1,388,277	1,788,213	359,343	962,664	3,110,220
Payroll taxes	297,240	82,567	33,026	412,833	214,250	75,214	41,731	331,195	511,490	157,781	74,757	744,028
Employee benefits	907,698	252,138	100,855	1,260,691	705,583	247,701	137,430	1,090,714	1,613,281	499,839	238,285	2,351,405
Provision for sick and vacation pay	25,049	4,420	5,201	34,670	20,495	3,617	4,254	28,366	45,544	8,037	9,455	63,036
In-kind rent	1,534,513	426,254	170,501	2,131,268	1,242,077	439,504	229,307	1,910,888	2,776,590	865,758	399,808	4,042,156
Classroom textbooks and supplies	353,475	79,917	-	433,392	430,487	113,469	-	543,956	783,962	193,386	-	977,348
Office furniture and equipment	-	-	55,318	55,318	-	-	99,157	99,157	-	-	154,475	154,475
Consulting	230,028	52,004	15,952	297,984	293,363	77,315	24,027	394,705	523,391	129,319	39,979	692,689
Financial management services	-	-	187,416	187,416	-	-	156,972	156,972	-	-	344,388	344,388
School uniforms	30,587	6,915	-	37,502	40,351	10,636	-	50,987	70,938	17,551	-	88,489
Insurance	20,420	5,718	58,262	84,400	14,975	5,257	48,822	69,054	35,395	10,975	107,084	153,454
Telephone and Internet	71,869	19,964	7,985	99,818	50,230	17,634	9,783	77,647	122,099	37,598	17,768	177,465
Meetings and conferences	3,279	741	1,341	5,361	1,979	533	804	3,316	5,258	1,274	2,145	8,677
Auditing	-	-	18,458	18,458	-	-	18,875	18,875	-	-	37,333	37,333
Teacher recruitment	16,784	3,795	6,859	27,438	29,074	7,664	12,246	48,984	45,858	11,459	19,105	76,422
Student recruitment	24,565	5,554	10,039	40,158	29,575	7,795	12,457	49,827	54,140	13,349	22,496	89,985
Printing and copying	9,097	2,057	3,717	14,871	10,117	2,667	4,261	17,045	19,214	4,724	7,978	31,916
Office supplies	-	-	96,617	96,617	-	-	168,646	168,646	-	-	265,263	265,263
Postage	1,178	327	131	1,636	324	114	63	501	1,502	441	194	2,137
Food service	21,755	4,919	-	26,674	69,517	18,323	-	87,840	91,272	23,242	-	114,514
Repairs and maintenance	24,733	6,870	2,749	34,352	9,559	3,356	1,862	14,777	34,292	10,226	4,611	49,129
Payroll processing	-	-	4,828	4,828	-	-	3,789	3,789	-	-	8,617	8,617
Student services	147,350	33,314	-	180,664	99,037	26,105	-	125,142	246,387	59,419	-	305,806
Depreciation	135,022	29,639	3,773	168,434	140,563	37,365	35,917	213,845	275,585	67,004	39,690	382,279
Miscellaneous	-	-	86,133	86,133	-	-	64,761	64,761	-	-	150,894	150,894
Total expenses	\$ 7,897,490	\$ 2,149,214	\$ 1,295,516	\$ 11,342,220	\$ 6,166,247	\$ 2,064,930	\$ 1,613,410	\$ 9,844,587	\$ 14,063,737	\$ 4,214,144	\$ 2,908,926	\$ 21,186,807

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combining Statement of Functional Expenses
For the year ended June 30, 2021

	High School				Middle School				Total			
	Program Services		Supporting Services		Program Services		Supporting Services		Program Services		Supporting Services	
	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total
Salaries - instructional personnel	\$ 2,587,354	\$ 750,050	\$ -	\$ 3,337,404	\$ 1,315,104	\$ 596,475	\$ -	\$ 1,911,579	\$ 3,902,458	\$ 1,346,525	\$ -	\$ 5,248,983
Salaries - administrative staff personnel	940,781	167,378	474,571	1,582,730	645,737	129,254	457,962	1,232,953	1,586,518	296,632	932,533	2,815,683
Payroll taxes	283,128	74,714	35,392	393,234	128,577	47,698	31,107	207,382	411,705	122,412	66,499	600,616
Employee benefits	1,006,728	265,664	125,841	1,398,233	406,889	150,943	98,440	656,272	1,413,617	416,607	224,281	2,054,505
Provision for sick and vacation pay	71,135	12,553	14,769	98,457	23,791	4,198	4,940	32,929	94,926	16,751	19,709	131,386
In-kind rent	1,569,855	414,267	196,232	2,180,354	873,573	324,067	211,348	1,408,988	2,443,428	738,334	407,580	3,589,342
Classroom textbooks and supplies	134,813	23,791	-	158,604	150,233	35,240	-	185,473	285,046	59,031	-	344,077
Office furniture and equipment	-	-	60,076	60,076	-	-	67,676	67,676	-	-	127,752	127,752
Consulting	132,067	34,851	16,509	183,427	131,236	48,684	31,751	211,671	263,303	83,535	48,260	395,098
Financial management services	-	-	180,144	180,144	-	-	146,622	146,622	-	-	326,766	326,766
School uniforms	7,761	1,369	-	9,130	28,358	6,652	-	35,010	36,119	8,021	-	44,140
Insurance	23,479	6,105	38,138	67,722	9,707	3,593	35,829	49,129	33,186	9,698	73,967	116,851
Telephone	110,953	29,279	13,869	154,101	44,215	16,402	10,697	71,314	155,168	45,681	24,566	225,415
Meetings and conferences	2,344	618	293	3,255	1,314	487	318	2,119	3,658	1,105	611	5,374
Auditing	-	-	18,250	18,250	-	-	18,250	18,250	-	-	36,500	36,500
Teacher recruitment	279	49	109	437	2,129	499	876	3,504	2,408	548	985	3,941
Student recruitment	42,510	7,502	16,670	66,682	30,295	7,106	12,467	49,868	72,805	14,608	29,137	116,550
Printing and copying	488	129	61	678	62	23	15	100	550	152	76	778
Office supplies	-	-	39,644	39,644	-	-	42,934	42,934	-	-	82,578	82,578
Postage	4,688	827	1,838	7,353	990	232	408	1,630	5,678	1,059	2,246	8,983
Teachers' discretionary	224	39	-	263	-	-	-	-	224	39	-	263
Food service	362	64	-	426	1,738	408	-	2,146	2,100	472	-	2,572
Repairs and maintenance	5,720	1,510	715	7,945	3,496	1,297	846	5,639	9,216	2,807	1,561	13,584
Payroll processing	2,601	686	326	3,613	1,948	723	471	3,142	4,549	1,409	797	6,755
Student services	63,020	11,121	-	74,141	9,478	2,223	-	11,701	72,498	13,344	-	85,842
Depreciation	65,232	-	1,789	67,021	88,179	-	13,529	101,708	153,411	-	15,318	168,729
Miscellaneous	-	-	21,729	21,729	-	-	9,777	9,777	-	-	31,506	31,506
Total expenses	<u>\$ 7,055,522</u>	<u>\$ 1,802,566</u>	<u>\$ 1,256,965</u>	<u>\$ 10,115,053</u>	<u>\$ 3,897,049</u>	<u>\$ 1,376,204</u>	<u>\$ 1,196,263</u>	<u>\$ 6,469,516</u>	<u>\$ 10,952,571</u>	<u>\$ 3,178,770</u>	<u>\$ 2,453,228</u>	<u>\$ 16,584,569</u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Combined Statements of Cash Flows
For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,783,488	\$ 2,781,846
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	382,279	168,729
(Increase) decrease in operating assets:		
Grants and other receivables	(2,175,381)	(1,210,583)
Prepaid expenses	(67,483)	(111,402)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(155,981)	236,282
Accrued payroll and payroll taxes	(152,049)	223,891
Accrued sick and vacation pay	<u>63,036</u>	<u>131,386</u>
Net cash (used in) provided by operating activities	<u>(322,091)</u>	<u>2,220,149</u>
Cash flows from investing activities:		
(Additions) to furniture and equipment	<u>(865,056)</u>	<u>(878,454)</u>
Net cash (used in) investing activities	<u>(865,056)</u>	<u>(878,454)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(1,187,147)	1,341,695
Cash and cash equivalents and restricted cash:		
Beginning of year	<u>4,153,039</u>	<u>2,811,344</u>
End of year	<u><u>\$ 2,965,892</u></u>	<u><u>\$ 4,153,039</u></u>

See notes to financial statements.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements
June 30, 2022 and 2021

Note 1 - Nature of Organization, Mission Statement and Principles of Combination

Nature of Organization

The University Prep Charter High School was formed to operate a high school (the “High School” or “Charter School”) under an education corporation that operates charter schools in the borough of the Bronx, New York. On January 15, 2008, the Board of Regents of the University of the State of New York for and on behalf of the Education Department of the State of New York granted the High School a provisional charter valid for a term of five years from the effective date of January 15, 2008, and renewable upon expiration. On February 26, 2013, the Charter School’s Committee approved a renewal for a full term of five years through July 31, 2018. On April 24, 2018, the Charter School’s Committee approved a renewal for a full term of five years through July 31, 2023.

Effective September 2019, the University Prep Charter High School launched its Middle School for Grades 5 and 6. University Prep Charter Middle School (the “Middle School”) is committed to building a scholarly community that prepares all students to gain entry to and succeed at University Prep Charter High School and then in a college of their choice and beyond. The schools are operating under two separate charters. However, the schools share the same IRS EIN number and will be reported under one financial statement.

On January 6, 2020, the name of the Charter School was changed to the University Prep Public Charter Schools.

Mission Statement

The School’s mission is to prepare all students to achieve academic and personal excellence and to graduate students fully prepared for a demanding secondary education, and to help prepare students for meaningful lives as full democratic citizens in a free society.

Principles of Combination

The combined and combining financial statements include the accounts of the High School and the Middle School, (collectively referred to as the “School”). All significant intercompany balances and transactions have eliminated in combination.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The combined and combining financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School reports information regarding its financial position and activities according to the following net asset classifications: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions are not restricted by donors/grantors, or the donor/grantor-imposed restrictions have expired.

Net Assets With Donor Restrictions contain donor/grantor-imposed restrictions that permit the School to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the School.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as released from purpose restrictions in the combining statements of activities.

Use of Estimates

The preparation of combined and combining financial statements in accordance 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 combined and combining financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

Grants Receivable

Unconditional grants receivable are recognized as revenue in the period in which the grants are awarded. Conditional grants receivable are recognized when the conditions on which they depend are substantially met.

Restricted Cash

Under the provisions of the charter, the School has restricted the cash balance in the escrow account to pay for any legal and audit expenses that would be associated with dissolution, should it occur. The balance in the escrow account is \$75,000 plus interest earned.

Property Assets

Property assets are recorded at cost. Assets acquired by utilizing government funds may be subject to granting agency disposition requirements.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to ten years.

Contributions and Grants

Contributions and grant revenue received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restricted support that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combining statements of activities as net assets released from purpose restrictions.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Local Per Pupil Operating Revenue

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

Promises to Give

Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give are recognized in the period received.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying combining statements of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes, and employee benefits	Time and effort
Classroom textbooks, supplies	Purpose of expenditure
Consulting	Purpose of expenditure
School uniforms, student testing materials and services	Purpose of expenditure
Meetings and conferences	Time and effort
Telephone and internet	Time and effort
Insurance	Time and effort
Teacher and student recruitment	Time and effort
Printing and copying	Time and effort
Office supplies	Purpose of expenditure
Postage	Time and effort
Teachers' discretionary	Time and effort
Student trips, transportation, food service	Purpose of expenditure
Repairs and maintenance	Purpose of expenditure
Payroll processing	Time and effort
Depreciation	Purpose of expenditure
Miscellaneous	Time and effort

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassification

Prior year contributions of nonfinancial assets revenue and rent expense have been reclassified to conform to the current year's presentation.

New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities* (Topic 958) *Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets*. The update enhances the presentation and disclosure of contributed nonfinancial assets, also known as in-kind revenues. The School has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The School has evaluated subsequent events and transactions through October 27, 2022, the date that the combined and combining financial statements were available to be issued.

Note 3 - Property Assets, Net

Property assets, net at June 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Classroom and office furniture	\$ 781,667	\$ 621,585
Leasehold improvements	420,730	270,994
Classroom and office computers and equipment	<u>2,254,712</u>	<u>2,259,196</u>
	3,457,109	3,151,775
Less: accumulated depreciation	<u>(1,631,194)</u>	<u>(1,808,637)</u>
Property assets, net	<u>\$ 1,825,915</u>	<u>\$ 1,343,138</u>

During the years ended June 30, 2022 and 2021, depreciation expense amounted to \$382,279 and \$168,729, respectively.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 4 - Net Asset With Donor Restrictions

At June 30, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions:		
Title I Grant - NYS Department of Education 9/1/20 - 8/31/21	\$ <u>-</u>	\$ <u>75,016</u>
Total net assets with donor restrictions	\$ <u>-</u>	\$ <u>75,016</u>

The School has adopted investment and spending policies for endowment assets (donor-restricted and board-designated) that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2022 and 2021, the School's endowment assets consisted of net assets with donor restrictions invested in cash and cash equivalents.

Effective September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Note 5 - Contributions of Nonfinancial Assets

The School's policy is to utilize all contributed nonfinancial assets. For the years ended June 30, 2022 and 2021, the School recognized contributed nonfinancial assets within the combining statements of activities as follows:

	<u>2022</u>	<u>2021</u>
Use of facilities	\$ <u>4,042,156</u>	\$ <u>3,589,342</u>
Total contributed nonfinancial assets	\$ <u>4,042,156</u>	\$ <u>3,589,342</u>

The use of the facilities is restricted to school and administrative activities. Because the restriction is met in the year it is made, the contributed use of facilities is recorded as contributions without donor restrictions.

The School uses the facilities for classrooms and administrative offices. In valuing the contributed space in the school building, which is located in Bronx, NY, University Prep Public Charter Schools estimated the fair value on the basis of financial information provided to the School under the New York City School Rental Assistance Program. This estimate is in line with the fair value of comparable rental prices in the local real estate market.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 6 - Pension Plan

The School participates in a multiple-employer plan that provides benefits to certain contract labor covered by a collective bargaining agreement which expires August 31, 2025. The School is currently negotiating with the union to renew the collective bargaining agreement. The School contributed \$854,022 and \$770,174 to the Teachers' Retirement System of the City of New York during the years ended June 30, 2022 and 2021, respectively. The most recent Pension Protection Act ("PPA") zone status is not applicable because it is a government plan. As of the most current report on file with the City of New York's Office of the Actuary, which is for the fiscal years ended June 30, 2022 and 2021, total plan net assets were \$64,009,428,000 and \$78,347,298,000, respectively, and the accumulated benefit obligations were \$78,720,762,874 and \$78,418,471,072, respectively.

Note 7 - Concentrations

Credit Risk

The School maintains cash balances at a banking institution. Accounts are insured by the Federal Deposit Insurance Corporation. The School does not anticipate any risk problems.

Significant Funding

The School has entered into service contracts and grant agreements with New York State and New York City government agencies that are subject to business risks associated with the economy and administrative directives, rules and regulations that are subject to change. A significant reduction in revenue from these various governmental agency contracts would have an adverse effect on the School's operations.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to Combined and Combining Financial Statements (Continued)
June 30, 2022 and 2021

Note 8 - Availability and Liquidity

Financial assets consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,814,750	\$ 4,002,050
Grants and other receivables	<u>4,234,095</u>	<u>2,058,714</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,048,845</u>	<u>\$ 6,060,764</u>

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$5,296,000). As part of its liquidity plan, excess cash is maintained in an interest-bearing bank account at an FDIC insured institution.

Note 9 - Tax Status

The School has been determined by the Internal Revenue Service (the "IRS") to be exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2022, the School's Form 990s for the years 2018 through 2022 remain eligible for examination by the IRS.

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

FEDERAL AWARDS

Program Title	Federal CFDA No.	Grantor No.	Expenditures
U.S. Department of Education:			
Passed through New York State Education Department			
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D-COVID	5890215560	\$ 32,000 *
	84.425D-COVID	5890214415	<u>35,808</u> *
Total Elementary and Secondary School Emergency Relief Fund			<u>67,808</u>
Elementary and Secondary School Emergency Relief 2 Fund	84.425D-COVID	5891215560	343,727 *
	84.425D-COVID	5891214415	<u>262,600</u> *
Total Elementary and Secondary School Emergency Relief II Fund			<u>606,327</u>
American Rescue Plan - Elementary and Secondary School Relief	84.425U-COVID	5880215560	350,656 *
	84.425U-COVID	5880214415	<u>496,912</u> *
Total American Rescue Plan			<u>847,568</u>
Total Education Stabilization Fund			<u>1,521,703</u>
Charter School Planning and Implementation Grant	84.282	0089211036	<u>579,488</u>
Total Charter School Planning and Implementation Grant			<u>579,488</u>
Title I - Grants to Local Educational Agencies	84.010	0021215560	19,500
	84.010	0021214415	8,000
	84.010	0021205560	262,162
	84.010	0021204415	<u>264,279</u>
Total Title I - Grants to Local Educational Agencies			<u>553,941</u>
Title II - Supporting Effective Instruction	84.367	0147215560	35,321
	84.367	0147214415	<u>34,942</u>
Total Title II - Supporting Effective Instruction			<u>70,263</u>
Title III - Immigrant Education	84.365	0021215560	<u>9,568</u>
Total Title III - Immigrant Education			<u>9,568</u>
Title IV - Student Support and Academic Enrichment Program	84.424	0204215560	12,766
	84.424	0204214415	<u>19,727</u>
Total Title IV - Student Support and Academic Enrichment Program			<u>32,493</u>
Total U.S Department of Education			<u>2,767,456</u>
Federal Communications Commission			
Passed through Universal Service Administrative Company			
Emergency Connectivity Fund Program	32.009-COVID	Unknown	<u>73,000</u>
Total Emergency Connectivity Fund Program			<u>73,000</u>
Total Federal Communications Commission			<u>73,000</u>
Total pass-through federal awards			<u>2,840,456</u>
Total expenditures of federal awards			<u>\$ 2,840,456</u>

* Major Programs

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
(Formerly University Prep Charter High School)
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of University Prep Public Charter Schools (formerly University Prep Charter High School) (the "School") (a non-profit organization), under programs funded by the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of University Prep Public Charter Schools, it is not intended to and does not present the financial position, changes in net assets or cash flows of University Prep Public Charter Schools.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the School and agencies and departments of the federal government.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The School does not qualify for the 10% *de minimis* indirect cost rate.

**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**

To the Board of Trustees
University Prep Public Charter Schools

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 combined and combining financial statements of University Prep Public Charter Schools (a non-profit organization), which comprise the combined statement of financial position as of June 30, 2022, and the related combining statements of activities and functional expenses and combined statement of cash flows for the year then ended, and the related notes to the combined and combining financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined and combining financial statements, we considered University Prep Public Charter Schools' internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined and combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of University Prep Public Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of University Prep Public Charter Schools' 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.

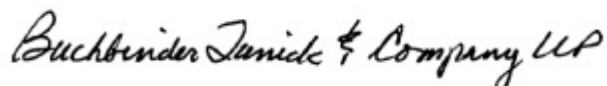
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether University Prep Public Charter Schools' combined and combining 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.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 27, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
University Prep Public Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited University Prep Public Charter Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of University Prep Public Charter Schools' major federal programs for the year ended June 30, 2022. University Prep Public Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs and summary of results.

In our opinion, University Prep Public Charter Schools complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of University Prep Public Charter Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of University Prep Public Charter Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to University Prep Public Charter Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on University Prep Public Charter Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about University Prep Public Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding University Prep Public Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of University Prep Public Charter Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of University Prep Public Charter Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs and summary of results as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on University Prep Public Charter Schools' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs and summary of results. University Prep Public Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

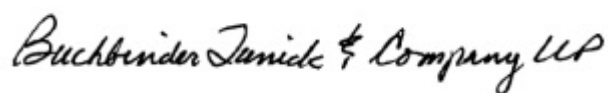
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and summary of results as item 2022-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on University Prep Public Charter Schools' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs and summary of results. University Prep Public Charter Schools' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Buchbinder Tunick & Company LLP".

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
October 27, 2022

UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
Schedule of Findings and Questioned Costs and Summary of Results
For the year ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> none
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	<u> X </u> yes	<u> </u> no
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Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425D	Education Stabilization Fund – Elementary and Secondary School
	Elementary and Secondary School Emergency Relief 1 & 2 Fund
84.425U	Education Stabilization Fund – American Rescue Plan – Elementary
	and Secondary School Relief

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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UNIVERSITY PREP PUBLIC CHARTER SCHOOLS
Schedule of Findings and Questioned Costs and Summary of Results (Continued)
For the year ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

2022-001

Condition: Timesheets from tutors hired for the newly implemented program and overseen by a third party were not adequately reviewed before payment. Documentation was not adequate because multiple timesheets lacked evidence of the dates worked. Several timesheets contained mathematical errors that were neither detected nor corrected.

Criteria: Compliance requirements for Allowable Costs state that costs must be reasonable and necessary and that adequate documentation for each expenditure must be retained.

Cause: At each level of review, the total hours worked were recalculated on each timesheet, but the daily hours worked were not. Due to oversight, the timesheets lack a dedicated space to enter the work dates and reviewers were not instructed to ensure dates were entered on timesheets.

Effect: Noncompliance with Uniform Guidance requirements may make University Prep Public Charter Schools ineligible for reimbursement of current year expenditures and for future federal funding.

Recommendation: Create a column on the timesheets for tutors to enter the dates worked. Instruct tutors to fill in the dates. Train reviewers to check the timesheets for work dates and to verify that the daily hours worked were calculated correctly.

Views of Responsible Officials and Planned Corrective Actions: The school has implemented an electronic timecard system for tutors that will automatically generate timesheets and eliminate or significantly reduce the possibility for human error. All tutors for the school are required to use this computer-based clock in/out system for all shifts.



High School (9-12)
600 St. Ann's Ave
Bronx, New York 10455

Middle School (5-8)
470 Jackson Avenue
Bronx, New York 10455

October 27, 2022

New York State Education Department
Attn: Office of Audit Services

University Prep Public Charter Schools respectfully submits the following corrective action plans regarding findings from the June 30, 2022, schedule of findings and questioned costs and summary of results. The findings in this corrective action plan are numbered consistently with the numbers assigned in the schedule. These plans are prepared in conjunction with the 2022 single audit, which was conducted by our independent auditors, Buchbinder Tunick & Company LLP, One Pennsylvania Plaza, Suite 3200, New York, NY 10119.

Findings and Corrective Action Plan – Federal Award Program Audit

Fiscal Year: 2022

Finding Number: 2022-001

Finding: Timesheets from tutors hired for the newly implemented program and overseen by a third party were not adequately reviewed before payment. Documentation was not adequate because multiple timesheets lacked evidence of the dates worked. Several timesheets contained mathematical errors that were neither detected nor corrected.

Questioned Costs: None

Status: In progress

Recommendation: Add a space on the timesheets for tutors to write in the dates worked. Remind tutors to fill in the dates. Train reviewers to check the timesheets for dates and to verify that the daily hours worked were calculated correctly.

Corrective Action: The school has implemented an electronic timecard system for tutors that will automatically generate timesheets and eliminate or significantly reduce the possibility for human error. All tutors for the school are required to use this computer-based clock in/out system for all shifts.

Completion Date: Estimated January 2023

Contact: Mayreni Arias, Chief Operating Officer
600 St. Ann's Avenue
Bronx, New York 10455

Should you have any questions regarding these plans, please do not hesitate to contact me.

Thank you,

A handwritten signature in black ink, appearing to be 'Mayreni Arias', written over a horizontal line.

Mayreni Arias
Chief Operating Officer



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Thank you,

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Mayreni Arias
Chief Operating Officer

October 27, 2022

Buchbinder Tunick & Company LLP
One Penn Plaza, Suite 3200
New York, NY 10119

This representation letter is provided in connection with your audit of the financial statements of University Prep Public Charter Schools, which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combining statements of activities and functional expenses, and combined cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 27, 2022, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 27, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with the preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

Information Provided

13) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

14) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

16) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

18) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.

19) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

20) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.

21) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

23) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

24) University Prep Public Charter Schools is an exempt organization under Section 501(C)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.

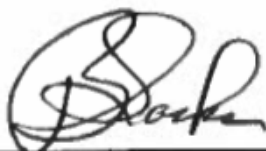
25) We acknowledge our responsibility for presenting the Schedule of Expenditures of Federal Awards in accordance with U.S. GAAP, and we believe the Schedule of Expenditures of Federal Awards including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedule of Expenditures of Federal Awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

26) With respect to federal award programs:

- a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including, when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards and [have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards].
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) [and OMB Circular A-122, Cost Principles for Nonprofit Organizations, and Subpart C, Section 23, Cost Sharing or Matching, of OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, if applicable].
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and passthrough entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- y) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
- 27) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 28) We have a process to track the status of audit findings and recommendations.
- 29) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 30) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 31) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 32) In regard to the financial statement preparation and tax return preparation services performed by you, we have—
- Assumed all management responsibilities.
 - Designated an individual who has suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

Signature: _____



Title: UPPS Board member, Finance Committee