

**URBAN ASSEMBLY CHARTER SCHOOL FOR  
COMPUTER SCIENCE**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023**

**(With Comparative Totals for 2022)**



BUSINESS  
ADVISORS  
AND CPAS

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BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Urban Assembly Charter School for Computer Science

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Urban Assembly Charter School for Computer Science as of June 30, 2023, and the changes in its net assets, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Audit of the Financial Statements section of our report. We are required to be independent of Urban Assembly Charter School for Computer Science and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, Urban Assembly Charter School for Computer Science, in the year ended June 30, 2023, the Charter School adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Assembly Charter School for Computer Science's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Urban Assembly Charter School for Computer Science'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Assembly Charter School for Computer Science'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.

### ***Report on Summarized Comparative Information***

We have previously audited Urban Assembly Charter School for Computer Science's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein as of June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Report Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of Urban Assembly Charter School for Computer Science's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Assembly Charter School for Computer Science's internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 17, 2023

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 929,488	\$ 879,658
Grants and contracts receivable	281,065	438,225
Prepaid expenses	<u>40,751</u>	<u>30,280</u>
TOTAL CURRENT ASSETS	1,251,304	1,348,163
 <u>PROPERTY AND EQUIPMENT, net</u>	 399,693	 757,570
 <u>OTHER ASSETS</u>		
Security deposit	400,000	175,000
Right of use assets	918,994	-
Cash in escrow	<u>75,526</u>	<u>75,519</u>
	<u>1,394,520</u>	<u>250,519</u>
TOTAL ASSETS	<u>\$ 3,045,517</u>	<u>\$ 2,356,252</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 367,761	\$ 284,825
Current portion of long term debt	350,000	350,000
Current portion of lease liabilities	457,390	-
Deferred revenue	<u>372,263</u>	<u>50,000</u>
TOTAL CURRENT LIABILITIES	1,547,414	684,825
 Deferred lease liability	 -	 18,750
Long-term lease liabilities	499,104	-
Long term debt	<u>225,000</u>	<u>350,000</u>
TOTAL LIABILITIES	2,271,518	1,053,575
 <u>NET ASSETS</u>		
Without donor restrictions	588,038	1,222,677
With donor restrictions	<u>185,961</u>	<u>80,000</u>
TOTAL NET ASSETS	<u>773,999</u>	<u>1,302,677</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,045,517</u>	<u>\$ 2,356,252</u>

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	Year ended June 30,			2022
	2023		Total	
	Without donors restrictions	With donor restrictions		
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 7,662,325	\$ -	\$ 7,662,325	\$ 7,166,701
Students with disabilities	952,102	-	952,102	1,134,699
Grants and contracts:				
State and local	30,837	-	30,837	26,604
Federal - Title and IDEA	428,583	-	428,583	412,081
Federal - other	962,326	-	962,326	1,993,775
In-kind - contributed rent	1,774,924	-	1,774,924	1,703,686
TOTAL REVENUE, GAINS AND OTHER SUPPORT	11,811,097	-	11,811,097	12,437,546
Expenses				
Program services:				
Regular education	7,453,876	-	7,453,876	8,053,398
Special education	4,584,171	-	4,584,171	4,009,905
Total program services	12,038,047	-	12,038,047	12,063,303
Management and general	1,135,451	-	1,135,451	1,061,158
Fundraising	108,304	-	108,304	116,360
TOTAL OPERATING EXPENSES	13,281,802	-	13,281,802	13,240,821
DEFICIT FROM SCHOOL OPERATIONS	(1,470,705)	-	(1,470,705)	(803,275)
Support and other revenue				
Contributions:				
Individuals	541,118	-	541,118	591,780
Corporations	202,042	177,250	379,292	80,000
Interest income	8	-	8	7
Miscellaneous income	21,609	-	21,609	1,374
Net assets released from restriction	71,289	(71,289)	-	-
TOTAL SUPPORT AND OTHER REVENUE	836,066	105,961	942,027	673,161
(DECREASE) INCREASE IN NET ASSETS	(634,639)	105,961	(528,678)	(130,114)
Net assets at beginning of year	1,222,677	80,000	1,302,677	1,432,791
NET ASSETS AT END OF YEAR	\$ 588,038	\$ 185,961	\$ 773,999	\$ 1,302,677

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023  
 (With Comparative Totals for 2022)

	Year ended June 30, 2023								2022
	No. of Positions	Regular Education	Special Education	Sub-total	Fundraising	Management and General	Sub-total	Total	
Personnel services costs:									
Administrative staff personnel	16	\$ 1,018,724	\$ 597,794	\$ 1,616,518	\$ 62,000	\$ 465,768	\$ 527,768	\$ 2,144,286	\$ 1,757,129
Instructional personnel	57	2,984,460	2,062,413	5,046,873	-	-	-	5,046,873	5,179,386
Total salaries and staff	73	4,003,184	2,660,207	6,663,391	62,000	465,768	527,768	7,191,159	6,936,515
							-		
Fringe benefits & payroll taxes		705,493	474,612	1,180,105	11,185	84,025	95,210	1,275,315	1,216,177
Retirement		117,778	79,234	197,012	1,867	14,027	15,894	212,906	160,475
Financial management services		-	-	-	-	156,177	156,177	156,177	131,126
Legal services		17,222	11,585	28,807	273	2,051	2,324	31,131	13,414
Accounting/Audit services		-	-	-	-	37,300	37,300	37,300	31,000
Other Purchased/Professional/									
Consulting Services		52,952	35,623	88,575	840	125,257	126,097	214,672	260,579
Building and Land Rent		259,405	174,511	433,916	4,113	30,895	35,008	468,924	468,750
Repairs and maintenance		26,322	17,707	44,029	417	3,135	3,552	47,581	41,214
Insurance		52,208	35,123	87,331	828	6,218	7,046	94,377	72,069
Utilities		60,481	40,688	101,169	959	7,203	8,162	109,331	92,089
Supplies/Materials		95,652	30,344	125,996	-	-	-	125,996	303,183
Equipment/Furnishings		22,590	15,010	37,600	350	2,628	2,978	40,578	46,765
Staff development & travel		103,235	56,453	159,688	1,057	8,695	9,752	169,440	190,534
Marketing/Recruitment		66,761	27,088	93,849	264	1,980	2,244	96,093	73,386
Technology		65,833	44,288	110,121	1,044	7,841	8,885	119,006	120,369
Food service		28,329	19,057	47,386	449	3,374	3,823	51,209	68,194
Student services		384,050	121,831	505,881	-	-	-	505,881	422,821
Office expense		51,940	34,942	86,882	823	6,186	7,009	93,891	195,856
In-kind rent		1,082,704	532,477	1,615,181	17,749	141,994	159,743	1,774,924	1,703,686
Depreciation and amortization		235,576	158,481	394,057	3,735	28,057	31,792	425,849	621,314
Other		22,161	14,910	37,071	351	2,640	2,991	40,062	71,305
		<u>\$ 7,453,876</u>	<u>\$ 4,584,171</u>	<u>\$ 12,038,047</u>	<u>\$ 108,304</u>	<u>\$ 1,135,451</u>	<u>\$ 1,243,755</u>	<u>\$ 13,281,802</u>	<u>\$ 13,240,821</u>

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



URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (528,678)	\$ (130,114)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	425,849	621,314
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	157,160	(145,585)
Prepaid expenses	(10,471)	36,875
Accounts payable and accrued expenses	82,936	41,964
Deferred revenue	322,263	46,158
Deferred lease liability	(18,750)	18,750
Lease liabilities, net of right-of-use assets	<u>37,500</u>	<u>-</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	467,809	489,362
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(67,972)	(459,905)
Security deposit	<u>(225,000)</u>	<u>(100,000)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(292,972)</u>	<u>(559,905)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on long term debt	225,000	-
Repayments on long term debt	<u>(350,000)</u>	<u>-</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(125,000)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	49,837	(70,543)
Cash and restricted cash at beginning of year	<u>955,177</u>	<u>1,025,720</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,005,014</u>	<u>\$ 955,177</u>

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023  
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ 34,358</u>	<u>\$ -</u>
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash	\$ 929,488	\$ 879,658
Cash in escrow	<u>75,526</u>	<u>75,519</u>
	<u>\$ 1,005,014</u>	<u>\$ 955,177</u>
<u>NON-CASH OPERATING ACTIVITIES</u>		
In-kind contributed rent	<u>\$ 1,774,924</u>	<u>\$ 1,703,686</u>

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

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

The Charter School

Urban Assembly Charter School for Computer Science (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides a full range of educational services appropriate for grades nine through twelve. On August 29, 2016, the Board of Trustees of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On March 15, 2023, the Charter School obtained a five year renewal which expires July 31, 2028.

Basis of accounting

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

Classification of net assets

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

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

*Net Assets Without Donor Restrictions*

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

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$185,961 of net assets with donor restrictions at June 30, 2023. The Charter School had \$80,000 of net assets with donor restrictions at June 30, 2022.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Grants and contracts receivable	\$ 29,228	\$ 44,548	\$ 5,316

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and contracts receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$372,263 and \$50,000 at June 30, 2023 and 2022, respectively. The Charter School received cost-reimbursement grants of \$116,692 and \$979,381 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Cash

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$75,526 at and \$75,519 at June 30, 2023 and 2022, respectively.

Grants and contracts receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 or 2022.

Property and equipment

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

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Deferred lease liability

The Charter School leases certain facilities. The lease contains pre-determined fixed escalation of the base rent. In accordance with GAAP, prior to July 1, 2022, the Charter School recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability for the year ended June 30, 2022. See Note A for adoption of the new lease standard, ASC 842.

Leases

The Charter School leases a school facility and office equipment and determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets, other current liabilities, and long term liabilities on the accompanying statement of financial position. There were no finance leases at June 30, 2023.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. The evaluation may require significant judgement.

Adoption of new accounting standard – leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 a lease liability of \$1,376,241, which represents the present value of the remaining operating lease payments of \$1,436,368, discounted using the Charter School's risk-free rate of 2.88%, and a right-of-use asset of \$1,357,491, which represents the operating lease liability of \$1,376,241 adjusted for deferred lease liability of \$18,750.

The standard had a material impact on the accompanying statement of financial position, but did not have an impact on the statement of activities and changes in net assets and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Contributed services

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

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruitment costs approximated \$96,100 and \$73,400 for the years ended June 30, 2023 and 2022, respectively.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Use of estimates in the preparation of financial statements

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

New accounting pronouncements – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Comparatives for the period ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by functional classification. 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 Charter School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 17, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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



URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash	\$ 929,488	\$ 879,658
Grants and contracts receivable	<u>281,065</u>	<u>438,225</u>
Total financial assets available within one year	1,210,553	1,317,883
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(185,961)</u>	<u>(80,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,024,592</u>	<u>\$ 1,237,883</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 853,515	\$ 853,515
Furniture and fixtures	839,613	803,441
Computer equipment	<u>583,321</u>	<u>551,521</u>
	2,276,449	2,208,477
Less accumulated depreciation and amortization	<u>1,876,756</u>	<u>1,450,907</u>
	<u>\$ 399,693</u>	<u>\$ 757,570</u>

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LONG TERM DEBT

In June 2018, the Charter School entered into an unsecured loan agreement with a lender to borrow up to \$700,000 through October 31, 2019. The loan is payable in two equal installments of principal plus all accrued and unpaid interest at 2.5%, due July 15, 2022 and July 15, 2023. At June 30, 2023 and 2022, there was \$350,000 and \$700,000 outstanding, respectively.

In January 2023, the Charter School entered into a loan agreement with a lender to borrow up to \$225,000. The loan is payable in two equal installments of principal plus all accrued and unpaid interest at 2.5%, due July 15, 2024 and July 15, 2025. The funds were used to put a deposit down on construction improvements for the school expansion, which is included in security deposits on the accompanying statement of financial position. The loan is payable in two installments of \$112,500 principal plus all accrued and unpaid interest at 2.5%, due July 15, 2024 and July 15, 2025. At June 30, 2023, there was \$225,000 outstanding.

NOTE E: NET ASSETS

Net assets with donor restrictions consisted of the following:

	June 30,	
	2023	2022
Summer scholarship fund	\$ -	\$ 50,000
Software platform development	8,711	30,000
H2H Summer Experience micro grant	2,250	-
Professional development initiatives	150,000	-
Scholarship program	25,000	-
	<u>\$ 185,961</u>	<u>\$ 80,000</u>

Net assets without donor restrictions are as follows:

	June 30,	
	2023	2022
Undesignated	\$ 513,345	\$ 1,165,107
Invested in property and equipment, net of related debt	74,693	57,570
	<u>\$ 588,038</u>	<u>\$ 1,222,677</u>

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: SCHOOL FACILITY – GIFTS-IN-KIND

As part of the New York City Chancellor’s Charter School Initiative, the New York City Department of Education has committed space to the Charter School at no charge under a verbal agreement. Total approximate square footage usage as of June 30, 2023 and 2022 was 20,000 square feet of classroom space and access to an additional 20,000 square feet consisting of an auditorium, gym, and cafeteria. In valuing the contributed space, the Charter School estimated the fair value of \$1,774,924 and \$1,703,686 for the years ended June 30, 2023 and 2022, respectively, on the basis of financial information provided to the Charter School under the New York City School Rental Assistance Program. There were no associated donor restrictions with the contributed facility.

See the table below for program utilization:

<u>Program or Supporting Service</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Regular Education	\$ 1,082,704	\$ 1,036,225
Special Education	532,477	515,951
Fundraising	17,749	14,972
Management and general	141,994	136,538
	<u>\$ 1,774,924</u>	<u>\$ 1,703,686</u>

NOTE G: LEASES

The Charter School leases a school facility and office equipment. The leases have various remaining lease terms ranging from one year to five years.

The Charter School entered into a non-cancelable lease agreement for office equipment expiring July 2026 with monthly payments of approximately \$200.

In June 2021, the Charter School signed a lease for facilities through June 2025. The lease has escalating payments throughout the term. Monthly rent expense of approximately \$40,000 commenced July 1, 2021. In conjunction with this facility lease, the Charter School paid a security deposit of \$75,000, which is included in security deposits on the accompanying statement of financial position at June 30, 2023 and 2022.

In February 2022, the Charter School signed a 45-year lease for facilities from a third party. The commencement date of the lease is contingent upon the completion of the construction of the building, which is estimated to be completed by August 2025. In conjunction with this facility lease, the Charter School paid an initial security deposit of \$100,000 in February 2022. In January 2023, the Charter School paid an additional security deposit of \$225,000. Both are included in the security deposits on the accompanying statement of financial position at June 30, 2023 and 2022.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

	<u>Balance Sheet Classification</u>	
<u>Assets</u>		
Operating leases	Other assets	<u>\$ 918,994</u>
<u>Liabilities</u>		
Operating leases	Current liabilities	\$ 457,390
Operating leases	Other liabilities	<u>499,104</u>
		<u>\$ 956,494</u>

The components of lease expense at June 30, 2023 were as follows:

Operating lease cost:		
Operating lease cost		\$ 471,534
Short-term lease cost		<u>3,289</u>
	Total lease cost	<u>\$ 474,823</u>

As of June 30, 2023, minimum payments due for lease liabilities are as follows:

	<u>Operating</u>
	<u>leases</u>
2024	\$ 477,784
2025	502,784
2026	2,784
2027	<u>232</u>
	Total lease payments 983,584
Less: Interest	<u>(27,090)</u>
	<u>\$ 956,494</u>

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: LEASES, Cont'd

Supplemental information:

Cash paid for amounts included for the year ended June 30, 2023	
Operating cash flows from operating leases	\$ 452,784
Right-of-use assets obtained in exchange for new lease liabilities (non-cash):	
Operating leases	\$ 1,376,241
Weighted-average remaining lease term:	
Operating leases	2.01 years
Weighted-average discount rate:	
Operating leases	2.88%

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

For the years ended June 30, 2023 and 2022, approximately 14% and 22% of total operating revenue and support came from federal agencies relating to certain grants. At June 30, 2023 and 2022 approximately 77% and 86%, respectively, of grants and contracts receivable were due from federal agencies relating to certain grants.

For the years ended June 30, 2023 and 2022, approximately 86% and 77%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER SCIENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees are eligible to participate in the Plan after attaining the age of 21 and three months of service. Employees can make pretax contributions up to a maximum of 100% of their annual compensation to the Plan, subject to IRS restrictions. The Charter School will make a safe harbor contribution equal to 3% the employee's annual compensation. The Charter School may also contribute a discretionary non-matching contribution to the Plan. The Charter School made a safe harbor contribution of approximately \$212,900 and \$160,500 to the Plan for the years ended June 30, 2023 and 2022, respectively. The Charter School did not make an additional discretionary non-matching contribution for either of the years ended June 30, 2023 and 2022.

NOTE K: FUNCTIONAL EXPENSES

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

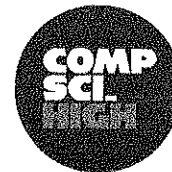
NOTE L: COMMITMENTS

In December 2017, the Charter School entered into an agreement with The Urban Assembly, Inc. to provide ongoing school support and professional development. The agreement continued through June 30, 2023. This agreement was renewed through June 30, 2024 with a future minimum payment of approximately \$11,000 annually.

Total expense for each of the years ended June 30, 2023 and 2022 was \$60,000.

NOTE M: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$862,689 and \$1,866,713 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Charter School has \$116,692 of ESSER grants still available through September 30, 2024.



October 17, 2023

Mengel, Metzger, Barr & Co. LLP  
Certified Public Accountants  
100 Chestnut Street, Suite 1200  
Rochester, New York 14604

This representation letter is provided in connection with your audits of the financial statements of Urban Assembly Charter School for Computer Science, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (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 such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 29, 2023, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all proper classifications, required supplementary information, and note disclosure.
- 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.



- 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.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- We have reviewed the Organization's draft financial statements prepared by you based upon financial information we provided to you. We have reviewed all supporting schedules and accept full responsibility for the Organization's financial statements prepared in accordance with U.S. GAAP.
- With respect to nonattest services provided, we have performed the following
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluation and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.

### **Information Provided**

- We have provided you with:
  - 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, documentation, and other matters;
  - Minutes of the meetings of the Board of Trustees and other committees, or summaries of actions of recent meetings for which may have not yet been prepared;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 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.
- We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.





- We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.
- We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, abuse or waste that you have reported to us.
- We have a process to track the status of audit findings and recommendations.
- We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors (contractors), regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Urban Assembly Charter School for Computer Science has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Urban Assembly Charter School for Computer Science is contingently liable.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification (ASC) 450, Contingencies.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC-450.
- Urban Assembly Charter School for Computer Science has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.



- We have considered the accounting and reporting requirements of FASB ASC 740-10. We believe there are no material liabilities (or reduction in amounts refundable) required for unrecognized tax benefits related to our tax positions, as defined and described in FASB ASC 740-10-20.

#### Single Audit

- With respect to federal awards, we represent the following to you:
  - 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) as applicable.
  - We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
  - As part of your audits, you prepared the draft financial statements and the related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
  - The methods of measurement or presentation have not changed from those used in the prior period.
  - We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
  - We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
  - When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the Organization of the schedule of expenditures of federal awards and the auditor's report thereon.
  - We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
  - We have provided to you our interpretations of any compliance requirements that have varying interpretations.
  - We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
  - We have received no requests from a federal agency to audit one or more specific programs as a major program.
  - We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.



- We have disclosed to you 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.
- We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through Organization, as applicable.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- 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 pass-through entities, including all management decisions.
- 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.
- The reporting package does not contain personally identifiable information.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

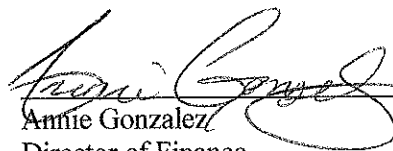
- We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance have occurred subsequent to the period covered by the auditor's report.
- We are responsible for and have accurately completed the appropriate sections of the Data Collection Form and we are responsible for taking corrective action on audit findings of the



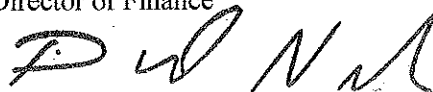
compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Very truly yours,

URBAN ASSEMBLY CHARTER SCHOOL FOR COMPUTER  
SCIENCE

  
Annie Gonzalez

Director of Finance



Mr. David Noah  
Founding Principal