

**UNITY PREPARATORY CHARTER SCHOOL OF
BROOKLYN**

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017
(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Unity Preparatory Charter School of Brooklyn

Report on the Financial Statements

We have audited the accompanying financial statements of Unity Preparatory Charter School of Brooklyn, which comprise the statement of financial position as of June 30, 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unity Preparatory Charter School of Brooklyn as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Unity Preparatory Charter School of Brooklyn's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2016. In our opinion, the summarized comparative information presented herein as of June 30, 2016 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 6, 2017 on our consideration of Unity Preparatory Charter School of Brooklyn'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 Unity Preparatory Charter School of Brooklyn's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 6, 2017

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,078,732	\$ 783,941
Cash in escrow	75,141	75,104
Grants and other receivables	215,912	143,284
Prepaid expenses and other current assets	<u>17,081</u>	<u>62,933</u>
TOTAL CURRENT ASSETS	1,386,866	1,065,262
<u>PROPERTY AND EQUIPMENT, net</u>	<u>280,150</u>	<u>238,493</u>
TOTAL ASSETS	<u>\$ 1,667,016</u>	<u>\$ 1,303,755</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 95,324	\$ 88,457
Accrued payroll and benefits	318,829	183,333
Deferred revenue	<u>-</u>	<u>7,480</u>
TOTAL CURRENT LIABILITIES	414,153	279,270
 <u>NET ASSETS</u>		
Unrestricted	<u>1,252,863</u>	<u>1,024,485</u>
TOTAL NET ASSETS	<u>1,252,863</u>	<u>1,024,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,667,016</u>	<u>\$ 1,303,755</u>

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

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 6,468,035	\$ 4,897,678
Government grants	289,066	185,083
Contributions	91,936	14,291
Other income	37	313
TOTAL OPERATING REVENUE AND SUPPORT	<u>6,849,074</u>	<u>5,097,365</u>
Expenses:		
Program:		
Regular education	4,797,062	3,275,940
Special education	1,349,163	1,163,137
Management and general	441,351	390,171
Fundraising and special events	33,120	27,977
TOTAL EXPENSES	<u>6,620,696</u>	<u>4,857,225</u>
CHANGE IN NET ASSETS	228,378	240,140
Net assets at beginning of year	<u>1,024,485</u>	<u>784,345</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,252,863</u>	<u>\$ 1,024,485</u>

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

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	No. of Positions	Year ended June 30, 2017						2016	
		Program Services			Supporting Services			Total	Total
		Regular Education	Special Education	Sub-total	Fundraising and special events	Management and general	Sub-total		
Personnel services costs:									
Administrative staff personnel	6	\$ 50,595	\$ 21,595	\$ 72,190	\$ 25,791	\$ 217,924	\$ 243,715	\$ 315,905	\$ 271,000
Instructional personnel	40	2,451,703	622,553	3,074,256	-	-	-	3,074,256	2,084,696
Non-instructional personnel	17	1,044,556	361,317	1,405,873	19	159	178	1,406,051	961,266
Total salaries and wages	63	3,546,854	1,005,465	4,552,319	25,810	218,083	243,893	4,796,212	3,316,962
Fringe benefits and payroll taxes		657,029	186,256	843,285	4,781	40,398	45,179	888,464	599,926
Retirement expenses		2,713	769	3,482	20	167	187	3,669	2,210
Accounting / audit services		-	-	-	-	20,500	20,500	20,500	19,900
Other purchased / professional / consulting services		143,069	36,329	179,398	850	148,138	148,988	328,386	301,956
Repairs and maintenance		2,012	571	2,583	15	124	139	2,722	965
Insurance		34,128	9,674	43,802	248	2,098	2,346	46,148	39,830
Supplies and materials		158,324	40,868	199,192	164	1,434	1,598	200,790	263,673
Non-capitalized equipment / furnishings		8,713	2,234	10,947	5	44	49	10,996	12,933
Staff development		54,682	13,914	68,596	7	60	67	68,663	76,085
Marketing / recruitment		46,663	12,594	59,257	183	1,550	1,733	60,990	34,923
Technology		31,959	9,060	41,019	233	1,965	2,198	43,217	45,108
Office expense		35,803	10,150	45,953	261	2,201	2,462	48,415	41,279
Depreciation and amortization		74,641	21,159	95,800	543	4,589	5,132	100,932	96,936
Other		472	120	592	-	-	-	592	4,539
		<u>\$ 4,797,062</u>	<u>\$ 1,349,163</u>	<u>\$ 6,146,225</u>	<u>\$ 33,120</u>	<u>\$ 441,351</u>	<u>\$ 474,471</u>	<u>\$ 6,620,696</u>	<u>\$ 4,857,225</u>

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

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 228,378	\$ 240,140
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	100,932	96,936
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(72,628)	(57,594)
Prepaid expenses and other current assets	45,852	(46,094)
Accounts payable and accrued expenses	6,867	27,262
Accrued payroll and benefits	135,496	59,436
Deferred revenue	<u>(7,480)</u>	<u>5,014</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	437,417	325,100
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(142,589)	(141,610)
Change in cash in escrow	<u>(37)</u>	<u>(48)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(142,626)</u>	<u>(141,658)</u>
NET INCREASE IN CASH	294,791	183,442
Cash at beginning of year	<u>783,941</u>	<u>600,499</u>
CASH AT END OF YEAR	<u>\$ 1,078,732</u>	<u>\$ 783,941</u>

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

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative Totals for 2016)

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

The Charter School

Unity Preparatory Charter School of Brooklyn (the “Charter School”) is an educational corporation that operates as a charter school in Brooklyn, New York. On November 5, 2012 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The Charter School has submitted its application for renewal as its charter expires in June 2018.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2017 or 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

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

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

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

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow as of June 30, 2017 and 2016 was \$75,141 and \$75,104, respectively.

Grants and other receivables

Grants and other receivables 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, 2017 and 2016.

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 three to seven years.

Contributed services

The Charter School is located in a New York City Department of Education facility and utilizes approximately 20,500 square feet at no charge. In addition the Charter School receives contributed services from volunteers to serve on the Board of Trustees. The Charter School received transportation services, food supplies and services and certain office equipment from the local district. These goods and services are not valued in the financial statements.

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

Cont'd

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 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 recruiting costs were \$60,990 and \$34,923 for the years ended June 30, 2017 and 2016, respectively.

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.

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.

Comparatives for year ended June 30, 2016

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 the Charter School's financial statements for the year ended June 30, 2016, 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 6, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2017	2016
Furniture and fixtures	\$ 53,017	\$ 49,727
Computers and equipment	419,960	328,408
Leasehold improvements	121,527	73,780
	<u>594,504</u>	<u>451,915</u>
Less accumulated depreciation and amortization	314,354	213,422
	<u>\$ 280,150</u>	<u>\$ 238,493</u>

Total depreciation and amortization expense was \$100,932 and \$96,936 for the years ended June 30, 2017 and 2016, respectively.

NOTE C: SCHOOL FACILITY

The Charter School has entered into a verbal agreement with the New York City Department of Education for dedicated and shared space at P.S. 044 Marcus Garvey, a New York City Public School located at 432 Monroe Street, Brooklyn, New York.

During 2016, the Charter School received approval from the New York City Department of Education for use of dedicated and shared space for the years ending June 30, 2017 and 2018 at Brownsville Academy High School, a New York Public School located at 1150 East New York Ave, Brooklyn NY.

During 2016, the Charter School entered into a forty year lease, commencing on the later of July 1, 2018 or the day the Landlord tenders possession to the Charter School, with the option for four renewal periods of five years each for a total potential term of sixty years. The lease calls for rent at \$34.00 per square foot with an estimated square footage of 35,000 for total rent of \$1,119,000 per year. Should the School wish to reduce the per-square-foot rent, it is obligated to make a one-time payment of eight times the ratable reduction in rent. After the first year, rent will increase by 2.4% annually. Every subsequent ten years, the rent shall be adjusted to ninety-five percent of the then prevailing fair market rent for charter school facilities located in privately-owned buildings located in Kings County, New York which were constructed or substantially rehabilitated after 2015. The lease calls for an initial security deposit of \$46,625 with subsequent increases upon completing certain milestones as defined in the agreement. As of June 30, 2017, no security deposit payment has been made.

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE C: SCHOOL FACILITY, Cont'd.

The future minimum payments on this agreement, through year 2058, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ -
2019	1,119,000
2020	1,146,000
2021	1,173,000
2022	1,201,000
Thereafter	<u>69,133,000</u>
	<u>\$ 73,772,000</u>

During 2017, the Charter School entered into an agreement in connection with the above mentioned forty year lease. The Charter School has agreed to share in certain architectural and legal fees relating to the development of the premises. The Charter School is obligated to pay up to \$50,000 of architectural fees and 50% of legal fees relative to this agreement.

NOTE D: OPERATING LEASE

The Charter School leases office equipment under non-cancelable lease agreements expiring through August 2019. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 18,432
2019	13,092
2020	<u>2,182</u>
	<u>\$ 33,706</u>

NOTE E: 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.

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE F: CONCENTRATIONS

At June 30, 2017, approximately 89% of grants and other receivables relate to certain grants due from the New York State Department of Education. At June 30, 2016 approximately 45% of grants and other receivables relate to certain grants due from the federal government.

During the years ended June 30, 2017 and 2016 approximately 94% and 96% of total operating revenue and support came from per-pupil funding provided by New York State, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RELATED PARTY TRANSACTIONS

The Charter School is related to Friends of Northwest Brooklyn (the "Organization") through common management. The Organization granted \$86,800 and \$13,192 to the Charter School during the years ended June 30, 2017 and 2016, respectively. The donations are included in contributions on the statement of activities and changes in net assets.

The facts exclude the Charter School from the provisions of accounting principles generally accepted in the United States of America which would otherwise require consolidation with the Organization.

NOTE H: RETIREMENT PLAN

Effective August 1, 2014, the Charter School began sponsoring a 403(b) retirement plan (the "Plan") for its employees. All full-time employees of the Charter School are eligible to participate in the Plan. The Charter School has the opportunity to make a discretionary contribution to the Plan for employees who have achieved one year of service. Employees are fully vested upon receiving the contribution. There were no contributions to the Plan for either of the years ended June 30, 2017 or 2016.

NOTE I: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The Charter currently expires June 30, 2018. The renewal process includes review by New York State Education Department (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. The Charter School has submitted its application for renewal. Upon review of the application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

UNITY PREPARATORY CHARTER SCHOOL OF BROOKLYN

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Unity Preparatory Charter School of Brooklyn

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Unity Preparatory Charter School of Brooklyn, which comprise the statement of financial position as of June 30, 2017 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, and have issued our report thereon dated October 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Unity Preparatory Charter School of Brooklyn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unity Preparatory Charter School of Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of Unity Preparatory Charter School of Brooklyn's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unity Preparatory Charter School of Brooklyn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Unity Preparatory Charter School of Brooklyn in a separate letter dated October 6, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 6, 2017

**UNITY PREPARATORY CHARTER SCHOOL OF
BROOKLYN**

ADVISORY COMMENT LETTER

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 6, 2017

Board of Trustees
Unity Preparatory Charter School of Brooklyn

In planning and performing our audit of the financial statements of Unity Preparatory Charter School of Brooklyn (the "Charter School") as of June 30, 2017 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Michelle Cain or Kate Welc.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

**UNITY PREPARATORY CHARTER SCHOOL OF
BROOKLYN**

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 6, 2017

Board of Trustees
Unity Preparatory Charter School of Brooklyn

We have audited the financial statements of Unity Preparatory Charter School of Brooklyn as of June 30, 2017 and for the year then ended, and have issued our report thereon dated October 6, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 25, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Unity Preparatory Charter School of Brooklyn solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We have provided our comments regarding control deficiencies and other matters noted during our audit in a separate letter to you.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Unity Preparatory Charter School of Brooklyn is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

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

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No such misstatements were identified during our audit.

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

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings or Issues

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

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

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

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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