

**SOUTH BUFFALO CHARTER SCHOOL  
AND AFFILIATE**

**SINGLE AUDIT REPORTING PACKAGE**

**JUNE 30, 2020**

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June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
South Buffalo Charter School and Affiliate

We have audited the accompanying consolidated balance sheets of South Buffalo Charter School and Affiliate (the Organization) as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 consolidated 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 auditors' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Additional Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The accompanying additional information, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the Organization’s 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 the Organization’s internal control over financial reporting and compliance.



October 13, 2020

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Consolidated Balance Sheets**

June 30,	2020	2019
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 6,517,020	\$ 6,742,339
Receivables (Note 2)	686,888	215,794
Prepaid expenses	333,952	349,298
	<u>7,537,860</u>	<u>7,307,431</u>
Property and equipment, net (Note 3)	18,152,583	19,216,318
Investments (Note 4)	9,147,447	7,260,168
	<u>\$ 34,837,890</u>	<u>\$ 33,783,917</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt (Note 6)	\$ 553,904	\$ 528,421
Accounts payable and accrued expenses	1,395,479	1,503,617
	<u>1,949,383</u>	<u>2,032,038</u>
Long-term debt (Note 6)	9,933,058	10,480,158
<b>Net assets:</b>		
Without donor restrictions	<u>22,955,449</u>	<u>21,271,721</u>
	<u>\$ 34,837,890</u>	<u>\$ 33,783,917</u>

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Consolidated Statements of Activities**

For the years ended June 30,	2020	2019
<b>Support and revenue:</b>		
Enrollment fees:		
Resident students	\$ 12,038,989	\$ 11,754,842
Resident students with disabilities	406,110	431,272
Additional state aid	-	246,187
Contributions:		
Federal awards	1,088,348	1,255,613
State awards	14,649	19,406
Food service	11,782	25,497
Investment income (Note 4)	387,279	461,110
Other income	188,597	17,789
<b>Total support and revenue</b>	<b>14,135,754</b>	<b>14,211,716</b>
<b>Expenses:</b>		
Program expenses:		
Regular education	8,215,987	7,899,973
Special education	1,484,374	1,467,385
Other programs	1,572,105	2,129,031
Total program expenses	11,272,466	11,496,389
Supporting services:		
Management and general	1,179,560	1,170,255
<b>Total expenses</b>	<b>12,452,026</b>	<b>12,666,644</b>
<b>Change in net assets</b>	<b>1,683,728</b>	<b>1,545,072</b>
Net assets - beginning	21,271,721	19,726,649
Net assets - ending	\$ 22,955,449	\$ 21,271,721

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Statement of Functional Expenses**

For the year ended June 30, 2020

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	19.0	\$ 487,506	\$ 62,424	\$ 60,490	\$ 482,728	\$ 1,093,148
Instructional personnel	84.0	3,404,345	474,994	226,528	-	4,105,867
Non-instructional personnel	15.0	401,637	53,552	140,573	73,633	669,395
Salaries		4,293,488	590,970	427,591	556,361	5,868,410
Employee benefits and taxes		1,469,772	202,304	146,376	190,456	2,008,908
Retirement		351,886	48,435	35,045	45,598	480,964
Professional fees		-	-	-	44,936	44,936
Other contracted services		-	353,498	2,430	66,701	422,629
Property taxes		169,654	23,352	16,896	21,984	231,886
Repairs and maintenance		126,743	17,445	12,622	16,424	173,234
Insurance		30,519	4,201	3,039	3,955	41,714
Utilities		76,144	10,481	7,583	9,867	104,075
Supplies and materials		171,697	23,633	17,099	22,249	234,678
Equipment and furnishings		3,131	431	312	406	4,280
Staff development		126,198	17,370	12,568	16,353	172,489
Recruitment		-	-	-	2,900	2,900
Technology		107,096	14,741	10,666	13,878	146,381
Food service		-	-	634,931	-	634,931
Student services		-	-	116,508	-	116,508
Office expense		67,853	9,339	6,758	8,793	92,743
Interest		383,173	52,741	38,160	49,653	523,727
Other expenses		-	-	-	375	375
		<b>7,377,354</b>	<b>1,368,941</b>	<b>1,488,584</b>	<b>1,070,889</b>	<b>11,305,768</b>
Depreciation		<b>838,633</b>	<b>115,433</b>	<b>83,521</b>	<b>108,671</b>	<b>1,146,258</b>
<b>Total</b>		<b>\$ 8,215,987</b>	<b>\$ 1,484,374</b>	<b>\$ 1,572,105</b>	<b>\$ 1,179,560</b>	<b>\$ 12,452,026</b>

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Statement of Functional Expenses**

For the year ended June 30, 2019

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	21.0	\$ 459,151	\$ 101,431	\$ 43,000	\$ 459,093	\$ 1,062,675
Instructional personnel	92.0	3,446,962	419,653	236,192	-	4,102,807
Non-instructional personnel	17.0	420,277	56,037	147,097	77,051	700,462
Salaries		4,326,390	577,121	426,289	536,144	5,865,944
Employee benefits and taxes		1,087,629	164,470	429,208	122,089	1,803,396
Retirement		310,755	46,992	122,632	34,883	515,262
Professional fees		-	-	-	49,561	49,561
Other contracted services		-	387,019	5,994	64,133	457,146
Property taxes		168,348	22,750	15,925	20,474	227,497
Repairs and maintenance		140,891	19,039	13,328	17,135	190,393
Insurance		74,702	10,095	7,066	9,085	100,948
Utilities		105,528	14,261	9,982	12,834	142,605
Supplies and materials		205,781	27,808	19,466	25,028	278,083
Equipment and furnishings		10,910	1,474	1,032	1,328	14,744
Staff development		89,166	12,050	8,435	10,844	120,495
Recruitment		-	-	-	5,295	5,295
Technology		113,674	15,361	10,753	13,825	153,613
Food service		-	-	736,135	-	736,135
Student services		-	-	198,115	-	198,115
Office expense		-	-	-	89,041	89,041
Interest		401,282	53,529	39,539	49,728	544,078
Other expenses		-	-	-	1,697	1,697
		7,035,056	1,351,969	2,043,899	1,063,124	11,494,048
Depreciation		864,917	115,416	85,132	107,131	1,172,596
<b>Total</b>		<b>\$ 7,899,973</b>	<b>\$ 1,467,385</b>	<b>\$ 2,129,031</b>	<b>\$ 1,170,255</b>	<b>\$ 12,666,644</b>

See accompanying notes.



SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Consolidated Statements of Cash Flows**

For the years ended June 30,	2020	2019
<b>Operating activities:</b>		
Cash received from enrollment fees	\$ 12,036,973	\$ 12,397,385
Cash received from contributions	1,034,109	1,303,740
Cash received from other sources	153,789	106,208
Interest received	287,415	233,989
Payments to employees for services and benefits	(8,299,646)	(8,117,060)
Payments to vendors and suppliers	(2,522,677)	(2,886,778)
Interest paid	(523,727)	(544,078)
	<u>2,166,236</u>	<u>2,493,406</u>
<b>Investing activities:</b>		
Property and equipment expenditures	(82,523)	-
Proceeds from the sale of property and equipment	-	502,614
Purchase of investments	(1,787,415)	(233,989)
	<u>(1,869,938)</u>	<u>268,625</u>
<b>Financing activities:</b>		
Payments on long-term debt	(521,617)	(501,265)
	<u>(225,319)</u>	<u>2,260,766</u>
<b>Net change in cash</b>	<b>(225,319)</b>	<b>2,260,766</b>
Cash - beginning	<u>6,742,339</u>	<u>4,481,573</u>
Cash - ending	<u>\$ 6,517,020</u>	<u>\$ 6,742,339</u>

**Notes to Consolidated Financial Statements**

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**1. Summary of Significant Accounting Policies:**

**Organization and Purpose:**

The consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization) include the accounts of South Buffalo Charter School (the School) and 154 South Ogden, LLC (the LLC).

The School operates a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School has been chartered through June 2025. The School currently offers classes from kindergarten through grade 8.

The School seeks to provide equitable opportunities for all students to acquire an education that links character education with rigorous academics, technology, and careers to produce students who are prepared for success in the 21<sup>st</sup> century. Students enrolled reside primarily in the City School District.

The School is the single member of the LLC, a limited liability company formed in 2012 to acquire land and construct a state of the art educational facility. All significant intercompany transactions and balances have been eliminated.

**New Accounting Standards Adopted:**

During the year ended June 30, 2020, the Organization adopted two new comprehensive revenue recognition models under Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU).

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, addresses the differences between contributions and exchange transactions including guidance on timing and revenue recognition. ASU 2018-08 was adopted using the modified prospective method.

ASU 2014-09, *Revenue from Contracts with Customers*, requires an organization to recognize revenue from exchange transactions to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 was adopted using the full retrospective method.

The adoption of these standards did not impact the Organization's recognition of revenue and related accounts.

**Subsequent Events:**

Management has evaluated events and transactions for potential recognition or disclosure through October 13, 2020, the date the financial statements were available to be issued.

**Cash**

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur.

**Property and Equipment:**

Property and equipment to be held and used is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

**Investments:**

Investments are comprised of marketable securities stated at fair value as determined by quoted prices in active markets.

**Revenue Recognition:**

**Enrollment Fees**

Enrollment fees are received from the public-school districts in which the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education service based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Board of Education for the City School District (the District).

In June 2019, all New York State charter schools serving students in the fiscal 2019 school year received additional state aid. The additional aid was based on the number of students served during fiscal 2019 and was paid directly from the New York State Education Department. No additional state aid was received for the year ended June 30, 2020.

### Contributions

Contributions, which include government awards, are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions are recorded as revenue when the Organization meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying consolidated balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

### Receivables

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

### Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under §501(a) of the Internal Revenue Code. The LLC has elected to be taxed as a corporation effective July 1, 2014. The LLC recognized and paid no income taxes in 2020 or 2019.

### Transportation:

The City School District provides the School with certain transportation services without cost. The value of these services has not been recorded in these financial statements.

### Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Functional Expense Allocation:

The financial statements report certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most of the expenses included in the statements of functional expenses have been allocated based on personnel costs.

### 2. Receivables:

	2020	2019
Contributions	\$ 195,437	\$ 126,549
Enrollment fees	418,246	62,630
Other	73,205	26,615
	<u>\$ 686,888</u>	<u>\$ 215,794</u>

Enrollment fee receivables at June 30, 2020 include \$253,000 withheld by the District for disputed rates of special education services provided by the School from 2008 through 2018 (Note 10).

### 3. Property and Equipment:

	2020	2019
Land	\$ 538,624	\$ 538,624
Building and improvements	18,100,412	18,019,255
Furniture and equipment	6,621,446	6,620,080
	<u>25,260,482</u>	25,177,959
Less accumulated depreciation	7,107,899	5,961,641
	<u>\$ 18,152,583</u>	<u>\$ 19,216,318</u>

### 4. Investments:

	2020	2019
Interest bearing cash	\$ 234,608	\$ 288,456
Equities	502,176	636,416
Fixed income	8,410,663	6,335,296
	<u>\$ 9,147,447</u>	<u>\$ 7,260,168</u>

Investment returns are as follows:

	2020	2019
Interest	\$ 287,415	\$ 233,989
Unrealized gains	99,864	227,121
	<u>\$ 387,279</u>	<u>\$ 461,110</u>

#### 5. Line of Credit:

The School has available a \$500,000 bank demand line of credit, with interest payable at 70% of prime plus 0.5%, secured by essentially all of the School's assets, and guaranteed by the LLC. There were no outstanding amounts under this line at June 30, 2020 and 2019.

#### 6. Long-Term Debt:

	2020	2019
Bank mortgage note payable, monthly installments of \$87,112 including interest at 4.50% with balloon payment of \$7,885,800 due January 2025, secured by essentially all assets of the Organization.	\$ 10,607,518	\$ 11,155,438
Less unamortized debt issuance costs	<u>120,556</u>	146,859
	<u>10,486,962</u>	11,008,579
Less current portion	<u>553,904</u>	528,421
	<u>\$ 9,933,058</u>	<u>\$ 10,480,158</u>

Debt issuance costs are amortized as interest expense over the remaining term of the mortgage note. Amortization of debt issuance costs totaled \$26,303 for each of the years ended June 30, 2020 and 2019.

Aggregate maturities of net long-term debt subsequent to June 30, 2020 are:

2021	\$ 553,904
2022	580,558
2023	608,438
2024	637,597
Thereafter	<u>8,106,465</u>
	<u>\$ 10,486,962</u>

The bank loan agreements contain restrictive covenants relating to debt service coverage.

#### 7. Retirement Plans:

The School maintains a 403(b) profit sharing plan covering essentially all full-time employees (as defined). The plan requires certain employer match contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2020 and 2019 were \$34,281 and \$31,439.

The School participates in the New York State Teachers' Retirement System (TRS), which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits for the School's collectively bargained teacher group which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at [www.nystrs.org](http://www.nystrs.org).

No employee contributions are required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 8.86% of the annual covered payroll for the year ended June 30, 2020, and 10.62% for the year ended June 30, 2019.

The required contributions for the years ended June 30, 2020 and 2019 were \$446,683 and \$483,823.

#### 8. Health Insurance:

The School participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 16 participating members as of June 30, 2019 (the most recent information available).

The School has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalents. If the Plan's assets are exhausted, members would be equally responsible for the remaining liabilities.

The Plan's financial report for the year ended June 30, 2019 can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York, 14224.

### 9. Financial Assets Available for Operations:

The Organization obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures. If necessary, the Organization also has access to a \$500,000 bank demand line of credit (Note 5).

The Organization's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2020 and 2019:

	2020	2019
Cash	\$ 6,517,020	\$ 6,742,339
Receivables	686,888	215,794
Investments	9,147,447	7,260,168
	<u>\$ 16,351,355</u>	<u>\$ 14,218,301</u>

### 10. Contingency

In 2019, an audit by the Office of the New York State Comptroller determined the District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the District to the School for special education services. In February 2020, the District informed the School of its intent to recoup approximately \$506,000 in special education aid paid over the past decade of which approximately \$253,000 was recouped through June 30, 2020. This recoupment, in the amount of approximately \$253,000 (Note 2), has been recorded as a receivable at June 30, 2020 in the accompanying financial statements.

In April 2020, a court ruling determined that charter schools must first exhaust administrative remedies by submitting a State intercept form to the New York State Education Department Commissioner (the Commissioner) to recover monies withheld from the School. Consequently, the School has submitted a State intercept to the Commissioner and is following the administrative procedures to resolve the matter. No liability is recorded in these financial statements as management believes the School will be successful in challenging the District's recoupment of funds through the State administrative procedure.

### 11. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and resulted in a severe disruption of operations for many organizations.

In March 2020, the School transitioned to remote instruction for the remainder of the 2019-20 School year. Consequently, enrollment fees and revenue for the year ended June 30, 2020 were not reduced. The School's restart plan for the 2020-21 School year includes a hybrid in-person and remote instruction model in compliance with all government safety mandates.

The extent of the impact of COVID-19 on the School's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Additional Information  
Consolidating Balance Sheets**

June 30,	2020			
	School	LLC	Eliminations	Consolidated Totals
<b>Assets</b>				
<b>Current Assets:</b>				
Cash	\$ 6,127,611	\$ 389,409	\$ -	\$ 6,517,020
Receivables	635,351	51,537	-	686,888
Prepaid expenses	333,952	-	-	333,952
	<u>7,096,914</u>	<u>440,946</u>	<u>-</u>	<u>7,537,860</u>
Property and equipment, net	111,486	18,041,097	-	18,152,583
Investments	9,147,447	-	-	9,147,447
Due from affiliate	11,480,918	-	(11,480,918)	-
	<u>\$ 27,836,765</u>	<u>\$ 18,482,043</u>	<u>\$ (11,480,918)</u>	<u>\$ 34,837,890</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Current portion of long-term debt	\$ -	\$ 553,904	\$ -	\$ 553,904
Accounts payable and accrued expenses	1,394,354	1,125	-	1,395,479
	<u>1,394,354</u>	<u>555,029</u>	<u>-</u>	<u>1,949,383</u>
Due to affiliate	-	11,480,918	(11,480,918)	-
Long-term debt	-	9,933,058	-	9,933,058
<b>Net assets:</b>				
Without donor restrictions	26,442,411	(3,486,962)	-	22,955,449
	<u>\$ 27,836,765</u>	<u>\$ 18,482,043</u>	<u>\$ (11,480,918)</u>	<u>\$ 34,837,890</u>

2019			
School	LLC	Eliminations	Consolidated Totals
\$ 6,526,054	\$ 216,285	\$ -	\$ 6,742,339
215,794	-	-	215,794
349,298	-	-	349,298
7,091,146	216,285	-	7,307,431
70,194	19,146,124	-	19,216,318
7,260,168	-	-	7,260,168
10,976,652	-	(10,976,652)	-
<b>\$ 25,398,160</b>	<b>\$ 19,362,409</b>	<b>\$ (10,976,652)</b>	<b>\$ 33,783,917</b>
\$ -	\$ 528,421	\$ -	\$ 528,421
1,502,492	1,125	-	1,503,617
1,502,492	529,546	-	2,032,038
-	10,976,652	(10,976,652)	-
-	10,480,158	-	10,480,158
23,895,668	(2,623,947)	-	21,271,721
<b>\$ 25,398,160</b>	<b>\$ 19,362,409</b>	<b>\$ (10,976,652)</b>	<b>\$ 33,783,917</b>

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Additional Information**  
**Consolidating Statements of Activities**

For the years ended June 30,

2020

	School	LLC	Eliminations	Consolidated Totals
<b>Support and revenue:</b>				
Enrollment fees:				
Resident students	\$ 12,038,989	\$ -	\$ -	\$ 12,038,989
Resident students with disabilities	406,110	-	-	406,110
Additional state aid	-	-	-	-
Contributions:				
Federal awards	1,088,348	-	-	1,088,348
State awards	14,649	-	-	14,649
Food service	11,782	-	-	11,782
Rental income	-	1,115,840	(1,115,840)	-
Interest income	504,265	-	(504,265)	-
Investment income	387,279	-	-	387,279
Other income	34,058	154,539	-	188,597
<b>Total support and revenue</b>	<b>14,485,480</b>	<b>1,270,379</b>	<b>(1,620,105)</b>	<b>14,135,754</b>
<b>Expenses:</b>				
Program expenses:				
Regular education	7,840,726	1,560,574	(1,185,313)	8,215,987
Special education	1,432,721	214,803	(163,150)	1,484,374
Other programs	1,534,732	155,419	(118,046)	1,572,105
Total program expenses	10,808,179	1,930,796	(1,466,509)	11,272,466
Supporting services:				
Management and general	1,130,558	202,598	(153,596)	1,179,560
<b>Total expenses</b>	<b>11,938,737</b>	<b>2,133,394</b>	<b>(1,620,105)</b>	<b>12,452,026</b>
<b>Change in net assets</b>	<b>2,546,743</b>	<b>(863,015)</b>	<b>-</b>	<b>1,683,728</b>
Net assets - beginning	23,895,668	(2,623,947)	-	21,271,721
Net assets - ending	\$ 26,442,411	\$ (3,486,962)	\$ -	\$ 22,955,449



2019			
School	LLC	Eliminations	Consolidated Totals
\$ 11,754,842	\$ -	\$ -	\$ 11,754,842
431,272	-	-	431,272
246,187	-	-	246,187
1,255,613	-	-	1,255,613
19,406	-	-	19,406
25,497	-	-	25,497
-	1,115,840	(1,115,840)	-
482,117	-	(482,117)	-
461,110	-	-	461,110
17,789	-	-	17,789
14,693,833	1,115,840	(1,597,957)	14,211,716
7,482,364	1,598,913	(1,181,304)	7,899,973
1,413,114	213,288	(159,017)	1,467,385
2,084,631	157,545	(113,145)	2,129,031
10,980,109	1,969,746	(1,453,466)	11,496,389
1,114,908	199,838	(144,491)	1,170,255
12,095,017	2,169,584	(1,597,957)	12,666,644
2,598,816	(1,053,744)	-	1,545,072
21,296,852	(1,570,203)	-	19,726,649
\$ 23,895,668	\$ (2,623,947)	\$ -	\$ 21,271,721

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Additional Information**  
**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
<b>Passed through New York State Education Department:</b>			
Title I Grants to Local Educational Agencies	84.010	0021-20-4035	\$ 414,804
Supporting Effective Instruction State Grants	84.367	0147-20-4035	44,128
Student Support and Academic Enrichment Program	84.424	0204-20-4035	32,212
<b>Total New York State Education Department</b>			<b>491,144</b>
<b><u>U.S. Department of Agriculture</u></b>			
<b>Child Nutrition Cluster:</b>			
<b>Passed through the New York State Education Department:</b>			
School Breakfast Program	10.553	N/A	150,609
COVID-19 - School Breakfast Program	10.553	N/A	30,675
National School Lunch Program	10.555	N/A	318,078
COVID-19 - National School Lunch Program	10.555	N/A	49,785
			<b>549,147</b>
<b>Passed through the New York State Office Of General Services:</b>			
National School Lunch Program	10.555	N/A	48,057
<b>Total Child Nutrition Cluster and U.S. Department of Agriculture</b>			<b>597,204</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,088,348</b>

**Notes to Schedule of Expenditures of Federal Awards**

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**1. Summary of Significant Accounting Policies:**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by South Buffalo Charter School and Affiliate (the Organization), an entity as defined in Note 1 to the Organization's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the schedule of expenditures of federal awards.

**Basis of Accounting**

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Organization's financial reporting system. The federal expenditures are recorded on the accrual basis.

**Indirect Costs**

The Organization typically does not allocate indirect costs to Federal programs and as such the 10% de minimis indirect cost rate permitted by the Uniform Guidance is not applicable.

**Non-Monetary Federal Program**

The School is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2020, the School used \$48,057 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

**INDEPENDENT AUDITORS' 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***

The Board of Trustees  
South Buffalo Charter School and Affiliate

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 consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of activities, 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 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 13, 2020

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

The Board of Trustees  
South Buffalo Charter School and Affiliate

**Report on Compliance for Each Major Federal Program**

We have audited South Buffalo Charter School and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in blue ink that reads "Lumsden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 13, 2020

**Schedule of Findings and Questioned Costs**

For the year ended June 30, 2020

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**Section I. Summary of Auditors' Results**

**Consolidated Financial Statements**

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to consolidated financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>	<u>Amount</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 150,609
COVID-19 - School Breakfast Program	10.553	30,675
National School Lunch Program	10.555	366,135
COVID-19 - National School Lunch Program	10.555	49,785
		<b>\$ 597,204</b>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Federal Award Findings and Questioned Costs**

No matters were reported.