

**AUDITED
FINANCIAL STATEMENTS**

BUFFALO COLLEGIATE CHARTER SCHOOL

JUNE 30, 2021

BUFFALO COLLEGIATE CHARTER SCHOOL

CONTENTS

| | <u>Page</u> |
|--|----------------------------|
| Independent Auditor's Report..... | 1 - 2 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4 - 5 |
| Statements of Functional Expenses | 6 - 7 |
| Statements of Cash Flows..... | 8 |
| Notes to the Financial Statements | 9 - 14 |
| 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 <i>Government Auditing Standards</i> | 15 - 16 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Buffalo Collegiate Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Buffalo Collegiate Charter School, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Buffalo Collegiate Charter School as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021 on our consideration of Buffalo Collegiate Charter School'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 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 Buffalo Collegiate Charter School's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 7, 2021

BUFFALO COLLEGIATE CHARTER SCHOOL**STATEMENTS OF FINANCIAL POSITION****June 30,**

| ASSETS | 2021 | 2020 |
|---|---------------------|---------------------|
| Current assets: | | |
| Cash | \$ 813,383 | \$ 697,147 |
| Grants and other receivables | 199,250 | 208,033 |
| Prepaid expenses | 2,493 | 16,744 |
| Total current assets | 1,015,126 | 921,924 |
| Dissolution reserve | 75,000 | 50,000 |
| Security deposit | 33,515 | 33,515 |
| Property and equipment, net | 763,660 | 597,041 |
| Total assets | \$ 1,887,301 | \$ 1,602,480 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 78,617 | \$ 104,562 |
| Accrued payroll | 86,318 | 93,699 |
| Total current liabilities | 164,935 | 198,261 |
| Deferred rent | 49,952 | 45,346 |
| Refundable advance | - | 301,712 |
| Total liabilities | 214,887 | 545,319 |
| Net assets: | | |
| Without donor restrictions | 1,606,004 | 970,086 |
| With donor restrictions | 66,410 | 87,075 |
| Total net assets | 1,672,414 | 1,057,161 |
| Total liabilities and net assets | \$ 1,887,301 | \$ 1,602,480 |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenue and support: | | | |
| Public School District Support: | | | |
| Resident student enrollment | \$ 3,055,639 | \$ - | \$ 3,055,639 |
| Students with disabilities | 154,656 | - | 154,656 |
| Total public school district support | 3,210,295 | - | 3,210,295 |
| Federal and state grants | 424,781 | - | 424,781 |
| Contributions - private | 72,412 | 104,125 | 176,537 |
| Other grant revenue - forgiveness of refundable advance | 301,712 | - | 301,712 |
| Other income | 2,427 | - | 2,427 |
| Net assets released from restriction | 124,790 | (124,790) | - |
| Total revenue and support | 4,136,417 | (20,665) | 4,115,752 |
| Expenses: | | | |
| Program services: | | | |
| Regular education | 2,323,008 | - | 2,323,008 |
| Special education | 231,787 | - | 231,787 |
| Other program | 241,100 | - | 241,100 |
| Total program services | 2,795,895 | - | 2,795,895 |
| Fundraising | 51,794 | - | 51,794 |
| Management and general | 652,810 | - | 652,810 |
| Total expenses | 3,500,499 | - | 3,500,499 |
| Change in net assets | 635,918 | (20,665) | 615,253 |
| Net assets - beginning of year | 970,086 | 87,075 | 1,057,161 |
| Net assets - end of year | \$ 1,606,004 | \$ 66,410 | \$ 1,672,414 |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------|
| Revenue and support: | | | |
| Public School District Support: | | | |
| Resident student enrollment | \$ 2,293,311 | \$ - | \$ 2,293,311 |
| Students with disabilities | 108,065 | - | 108,065 |
| Total public school district support | 2,401,376 | - | 2,401,376 |
| Federal and state grants | 417,000 | - | 417,000 |
| Contributions - private | 158,749 | 130,648 | 289,397 |
| Other income | 26,156 | - | 26,156 |
| Net assets released from restriction | 241,597 | (241,597) | - |
| Total revenue and support | 3,244,878 | (110,949) | 3,133,929 |
| Expenses: | | | |
| Program services: | | | |
| Regular education | 1,961,338 | - | 1,961,338 |
| Special education | 204,444 | - | 204,444 |
| Other program | 239,838 | - | 239,838 |
| Total program services | 2,405,620 | - | 2,405,620 |
| Fundraising | 24,000 | - | 24,000 |
| Management and general | 680,476 | - | 680,476 |
| Total expenses | 3,110,096 | - | 3,110,096 |
| Change in net assets | 134,782 | (110,949) | 23,833 |
| Net assets - beginning of year | 835,304 | 198,024 | 1,033,328 |
| Net assets - end of year | \$ 970,086 | \$ 87,075 | \$ 1,057,161 |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

| | Number of Positions | Program Services | | | | Fundraising | Management and General | Total |
|-----------------------------|------------------------|----------------------|----------------------|-------------------|---------------------|------------------|---------------------------|---------------------|
| | | Regular Education | Special Education | Other Program | Total | | | |
| Salaries | | | | | | | | |
| Instructional | 29 | \$ 1,341,166 | \$ 171,610 | \$ - | \$ 1,512,776 | \$ - | \$ - | \$ 1,512,776 |
| Administrative staff | 3 | - | - | - | - | 23,125 | 206,220 | 229,345 |
| Non-instructional | 2 | - | - | 136,866 | 136,866 | - | - | 136,866 |
| Total salaries | 34 | 1,341,166 | 171,610 | 136,866 | 1,649,642 | 23,125 | 206,220 | 1,878,987 |
| Employee benefits | | 111,417 | 13,927 | 10,832 | 136,176 | 1,547 | 17,023 | 154,746 |
| Payroll taxes | | 134,057 | 16,757 | 13,033 | 163,847 | 1,862 | 20,481 | 186,190 |
| Pension | | 67,601 | 8,450 | 6,572 | 82,623 | 939 | 10,328 | 93,890 |
| Occupancy | | 302,196 | 18,887 | 18,887 | 339,970 | - | 37,775 | 377,745 |
| Professional fees | | - | - | - | - | 24,321 | 94,198 | 118,519 |
| Depreciation | | 92,288 | - | 2,296 | 94,584 | - | 21,046 | 115,630 |
| Technology expense | | 101,429 | - | - | 101,429 | - | - | 101,429 |
| Student recruitment | | - | - | - | - | - | 63,187 | 63,187 |
| Instructional consultants | | 63,000 | - | - | 63,000 | - | - | 63,000 |
| Contracted services | | - | - | - | - | - | 59,681 | 59,681 |
| Instructional materials | | 55,450 | - | - | 55,450 | - | - | 55,450 |
| Afterschool program | | - | - | 52,500 | 52,500 | - | - | 52,500 |
| Repairs and maintenance | | - | - | - | - | - | 38,781 | 38,781 |
| Insurance | | - | - | - | - | - | 34,195 | 34,195 |
| Office expense | | - | - | - | - | - | 28,462 | 28,462 |
| Staff development | | 19,067 | - | - | 19,067 | - | - | 19,067 |
| Student activities | | 17,770 | - | - | 17,770 | - | - | 17,770 |
| Miscellaneous | | - | - | - | - | - | 17,267 | 17,267 |
| Student services | | 7,992 | - | - | 7,992 | - | - | 7,992 |
| Nurses office | | 7,754 | - | - | 7,754 | - | - | 7,754 |
| Telephone & internet | | 1,821 | 114 | 114 | 2,049 | - | 228 | 2,277 |
| Staff recruitment | | - | - | - | - | - | 2,129 | 2,129 |
| Special edjucation services | | - | 2,042 | - | 2,042 | - | - | 2,042 |
| Dues and membership | | - | - | - | - | - | 1,809 | 1,809 |
| | | <u>\$ 2,323,008</u> | <u>\$ 231,787</u> | <u>\$ 241,100</u> | <u>\$ 2,795,895</u> | <u>\$ 51,794</u> | <u>\$ 652,810</u> | <u>\$ 3,500,499</u> |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

| | Number of Positions | Program Services | | | | Fundraising | Management and General | Total |
|---------------------------|------------------------|----------------------|----------------------|-------------------|---------------------|------------------|---------------------------|---------------------|
| | | Regular Education | Special Education | Other Program | Total | | | |
| Salaries | | | | | | | | |
| Instructional | 21 | \$ 1,067,362 | \$ 149,531 | \$ - | \$ 1,216,893 | \$ - | \$ - | \$ 1,216,893 |
| Administrative staff | 5 | - | - | - | - | - | 242,647 | 242,647 |
| Non-instructional | 1 | - | - | 98,436 | 98,436 | - | - | 98,436 |
| Total salaries | 27 | 1,067,362 | 149,531 | 98,436 | 1,315,329 | - | 242,647 | 1,557,976 |
| Employee benefits | | 81,726 | 12,019 | 7,211 | 100,956 | - | 19,230 | 120,186 |
| Payroll taxes | | 102,744 | 15,109 | 9,066 | 126,919 | - | 24,175 | 151,094 |
| Pension | | 57,724 | 8,489 | 5,093 | 71,306 | - | 13,583 | 84,889 |
| Occupancy | | 304,784 | 19,049 | 19,049 | 342,882 | - | 38,098 | 380,980 |
| Professional fees | | - | - | - | - | 24,000 | 74,582 | 98,582 |
| Afterschool program | | - | - | 98,451 | 98,451 | - | - | 98,451 |
| Depreciation | | 63,065 | - | 2,285 | 65,350 | - | 17,900 | 83,250 |
| Technology expense | | 81,400 | - | - | 81,400 | - | - | 81,400 |
| Student recruitment | | - | - | - | - | - | 79,760 | 79,760 |
| Student services | | 55,971 | - | - | 55,971 | - | - | 55,971 |
| Instructional materials | | 55,187 | - | - | 55,187 | - | - | 55,187 |
| Repairs and maintenance | | - | - | - | - | - | 46,421 | 46,421 |
| Contracted services | | - | - | - | - | - | 34,562 | 34,562 |
| Office expense | | - | - | - | - | - | 33,550 | 33,550 |
| Student activities | | 32,474 | - | - | 32,474 | - | - | 32,474 |
| Insurance | | - | - | - | - | - | 27,416 | 27,416 |
| Instructional consultants | | 27,075 | - | - | 27,075 | - | - | 27,075 |
| Staff development | | 17,573 | - | - | 17,573 | - | - | 17,573 |
| Miscellaneous | | - | - | - | - | - | 11,913 | 11,913 |
| Dues and membership | | - | - | - | - | - | 10,090 | 10,090 |
| Nurses office | | 9,975 | - | - | 9,975 | - | - | 9,975 |
| Staff recruitment | | - | - | - | - | - | 5,914 | 5,914 |
| Telephone & internet | | 3,957 | 247 | 247 | 4,451 | - | 495 | 4,946 |
| Conferences | | 321 | - | - | 321 | - | - | 321 |
| Board development | | - | - | - | - | - | 140 | 140 |
| | | <u>\$ 1,961,338</u> | <u>\$ 204,444</u> | <u>\$ 239,838</u> | <u>\$ 2,405,620</u> | <u>\$ 24,000</u> | <u>\$ 680,476</u> | <u>\$ 3,110,096</u> |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

| | 2021 | 2020 |
|---|---------------------------------|---------------------------------|
| Cash flows from operating activities: | | |
| Receipts: | | |
| Enrollment fees | \$ 3,221,305 | \$ 2,366,693 |
| Contributions - federal, state and local awards | 418,383 | 461,290 |
| Other | 484,837 | 311,397 |
| Total receipts | <u>4,124,525</u> | <u>3,139,380</u> |
| Disbursements: | | |
| Payments to employees for services and benefits | 2,321,197 | 1,859,702 |
| Payments to vendors and suppliers | 1,379,843 | 1,029,274 |
| Total disbursements | <u>3,701,040</u> | <u>2,888,976</u> |
| Net cash provided by operating activities | <u>423,485</u> | <u>250,404</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | <u>(282,249)</u> | <u>(233,983)</u> |
| Net cash used by investing activities | <u>(282,249)</u> | <u>(233,983)</u> |
| Cash flows from financing activities: | | |
| Borrowing of refundable advance | <u>-</u> | <u>301,712</u> |
| Net cash provided by financing activities | <u>-</u> | <u>301,712</u> |
| Net increase in cash and restricted cash | 141,236 | 318,133 |
| Cash and restricted cash - beginning of year | <u>747,147</u> | <u>429,014</u> |
| Cash and restricted cash - end of year | <u><u>\$ 888,383</u></u> | <u><u>\$ 747,147</u></u> |
| Cash and restricted cash is comprised of the following statement of financial position accounts: | | |
| Cash | \$ 813,383 | \$ 697,147 |
| Dissolution reserve | 75,000 | 50,000 |
| Cash and restricted cash - end of year | <u><u>\$ 888,383</u></u> | <u><u>\$ 747,147</u></u> |
| Reconciliation of changes in net assets to net cash provided by operating activities: | | |
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 615,253 | \$ 23,833 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | | |
| Depreciation | 115,630 | 83,250 |
| Other grant revenue - forgiveness of refundable advance | (301,712) | - |
| Decrease (increase) in assets: | | |
| Grants and other receivables | 8,783 | 5,451 |
| Prepaid expenses | 14,251 | (10,296) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (25,945) | 64,917 |
| Accrued payroll | (7,381) | 54,443 |
| Deferred rent | 4,606 | 28,806 |
| Net cash provided by operating activities | <u><u>\$ 423,485</u></u> | <u><u>\$ 250,404</u></u> |
| Non-cash financing activities: | | |
| Other grant revenue - forgiveness of refundable advance | <u><u>\$ 301,712</u></u> | <u><u>\$ -</u></u> |

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Buffalo Collegiate Charter School (the "Charter School") is an independent public school established under the provisions of the New York State Charter School Act of 1998, enacted as Article 56 of the Education Law. The Charter School was authorized by the Board of Trustees of the State University of New York Charter School Institute on October 12, 2017, for a term of five years.

It is the Charter School's mission to educate students to graduate from the college of their choice and serve as our next generation of leaders. All children, regardless of gender, race, ethnicity, socioeconomic status, zip code, or home language, deserve the opportunity to receive an excellent education that allows them to access selective colleges and transform their life paths as empowered and civically minded leaders. The 2018 - 2019 school year represents the Charter School's first year of operation. During this academic year, the Charter School provided educational instruction to students in grades four through seven. The Charter School intends to add a grade level to their curriculum each year until they have attained twelfth grade. In line with this vision, the Charter School will add grade eight to their curriculum for the 2021 - 2022 school year.

Basis of Accounting

The Charter School's policy is to prepare its financial statements on the accrual basis of accounting, which means that revenues are recorded when earned and expenditures are recorded when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Charter School. These net assets may be used at the discretion of the Charter School's management and Board of Trustees and the exempt purpose for the Charter School's charter. The Charter School's Board of Trustees has not designated, from net assets without donor restrictions, any net assets as of June 30, 2021 and 2020.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Charter School must continue to use the resources in accordance with the donor's instructions.

The Charter School's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Charter School, unless the donor provides more specific directions about the period of its use.

Classification of Transactions: All revenues and support are reported as increases in net assets without donor restrictions in the statements of activities and changes in net assets unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the statement of financial position for leases with lease terms greater than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lease primarily will depend on its classification as a finance and operating lease. This amends current guidance that requires only capital leases to be recognized on the lessee's balance sheet. ASU 2016-02 will also require additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for reporting periods beginning after December 15, 2021 with early adoption permitted. The Charter School is currently evaluating the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

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 the requirements of the grant are met.

Expense Recognition and Allocation

The financial statements report certain categories of expenses that are attributable to a program or supporting function in the statements of functional expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Programs to which expenses are allocated include regular education, special education, and other programs. Every year the basis on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with the program, but which provide for the overall support and direction of the Charter School.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Contributions

Contributions and unconditional promises to give are recorded as with or without restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as net assets without donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Net assets released from restriction during the year ended June 30, 2021 amounted to \$124,790 (\$241,597 - 2020).

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.

Dissolution Reserve

The Charter School maintains restricted cash in a separate dissolution reserve in accordance with the terms of its charter agreement for potential school close-out expenses. The amount of cash held on reserve for this purpose at June 30, 2021 amounted to \$75,000 (\$50,000 - 2020). Designated cash is presented as a non-current asset within the accompanying statements of financial position.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Grants and other receivables as of June 30, 2021 and 2020 are expected to be fully collectable, and no allowance for uncollectible accounts is considered necessary.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

Under the provisions of accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Charter School evaluates its long-lived assets for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. If such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. During the years ended June 30, 2021 and 2020, there was no impairment of long-lived assets.

Contributed Services

Volunteers have donated significant amounts of time in support of the Charter School's activities. However, the value of these services is not reflected in the accompanying statements, as they do not meet the criteria for recognition as set forth under U.S. GAAP.

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, 2021 and 2020 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.

Advertising Costs

The Charter School expenses recruiting costs as they are incurred. Total recruiting costs were approximately \$63,000 for the year ended June 30, 2021 (\$80,000 - 2020).

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassification

Certain 2020 amounts have been reclassified to conform with 2021 presentation.

BUFFALO COLLEGIATE CHARTER SCHOOL**NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-----------------------|-----------------------|
| Leasehold improvements | \$ 723,314 | \$ 470,718 |
| Office equipment | 82,878 | 77,756 |
| Instructional equipment | 164,551 | 101,292 |
| Cafeteria equipment | 16,952 | 15,993 |
| Construction in process | <u>21,800</u> | <u>61,487</u> |
| | 1,009,495 | 727,246 |
| Less: accumulated depreciation | <u>245,835</u> | <u>130,205</u> |
| | <u>\$ 763,660</u> | <u>\$ 597,041</u> |

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30 include:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|-------------------|
| Cash | \$ 813,383 | \$ 697,147 |
| Grants and other receivables | <u>199,250</u> | <u>208,033</u> |
| | <u>\$ 1,012,633</u> | <u>\$ 905,180</u> |

To help manage unanticipated liquidity needs, the Charter School has an available line of credit of \$250,000. Refer to Note 9 for further details.

NOTE 4. REFUNDABLE ADVANCE

In response to the COVID-19 coronavirus, the federal government issued the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in March 2020. A section of the CARES Act includes the Paycheck Protection Program ("PPP") which provides funding to small businesses and non-profits impacted by COVID-19. The Charter School applied for a loan through the PPP and received \$301,712 in April 2020. Per the loan agreement, up to the full amount of the loan is eligible to be forgiven if all borrowed funds are used within the provisions set forth by the PPP. The Charter School applied for forgiveness of the loan which was approved by the Small

Business Administration in May 2021. The Charter School recognized revenue in the amount of \$301,712 in the statement of activities and changes in net assets related to the forgiveness of the PPP loan for the year ended June 30, 2021.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. SCHOOL FACILITY

The Charter School signed a lease for its facility from a third-party commencing May 10, 2018 through July 31, 2025. Rent expense totaled \$370,176 for the years ended June 30, 2021 and 2020. Included in the lease agreement is an option to reserve three parking spaces. The Charter School may cancel the reserved parking spaces with at least thirty-days' notice. Parking space rent included in rent expense for the years ended June 30, 2021 and 2020 amounted to \$1,260. Rent expense, coupled with utility costs incurred during the year ended June 30, 2021 of \$7,569 (\$10,804 – 2020), are presented as occupancy expense within the accompanying statements of functional expenses. Future expected minimum payment for this lease, excluding parking space rent, is as follows:

Year ending June 30:

| | |
|------|---------------------|
| 2022 | \$ 441,635 |
| 2023 | 468,380 |
| 2024 | 490,960 |
| 2025 | 505,495 |
| 2026 | <u>42,220</u> |
| | <u>\$ 1,948,690</u> |

NOTE 6. 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 7. CONCENTRATIONS

The Charter School's primary source of funding is received indirectly from New York State Education Department through the district of residence and is reported as resident student enrollment in the accompanying statements of activities and changes in net assets.

NOTE 8. RETIREMENT PLAN

The Charter School has a 401(k)-retirement plan covering substantially all employees. The Charter School utilizes a professional employer organization to provide payroll services and administer payroll benefits, which includes maintenance of the 401(k)-retirement plan. Under the 401(k)-retirement plan, the Charter School contributes employer matching and employer profit sharing contributions. The Charter School's pension expense for the year ended June 30, 2021 was approximately \$94,000 (\$85,000 - 2020).

NOTE 9. LINE OF CREDIT

The Charter School has an available variable rate nondisclosable revolving line of credit of \$250,000 with a bank with an on-demand maturity feature. Interest on all borrowings is accrued at the prime rate, plus an additional marginal rate of 1.00%. The interest rate at June 30, 2021 and 2020 was 4.25%. There were no borrowings against the line of credit at June 30, 2021 and 2020.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

The Charter School evaluated its June 30, 2021 financial statements for subsequent events through October 7, 2021, which is the date these financial statements were available to be issued.

The Charter School entered into an amendment to its lease (Note 5) in July 2021 related to a build-out and expansion of its leased space.

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

To the Board of Trustees
Buffalo Collegiate Charter School

We have audited, 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, the financial statements of Buffalo Collegiate Charter School, which comprise the statement of financial position as of June 30, 2021 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 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Buffalo Collegiate Charter School'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 Buffalo Collegiate Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Collegiate 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. 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. 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 Buffalo Collegiate Charter School'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*.

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 Buffalo Collegiate Charter School's internal control or 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.

Freed Maxick CPAs, P.C.

Buffalo, New York
October 7, 2021