

BUFFALO CREEK ACADEMY CHARTER SCHOOL

BUFFALO, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Buffalo Creek Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Buffalo Creek Academy 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 period from January 2, 2020 (date of inception) to June 30, 2021, 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 Buffalo Creek Academy Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the period from January 2, 2020 (date of inception) to June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of Buffalo Creek Academy Charter School'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 Buffalo Creek Academy Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 29, 2021

BUFFALO CREEK ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 245,081
Grants and other receivables	301,716
Prepaid expenses and other current assets	<u>17,781</u>
TOTAL CURRENT ASSETS	564,578

<u>PROPERTY AND EQUIPMENT</u> , net	149,060
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<u>OTHER ASSETS</u>	<u>18,000</u>
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TOTAL ASSETS	<u>\$ 731,638</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long term debt	\$ 464,845
Accounts payable and accrued expenses	54,347
Accrued payroll and benefits	54,653
Accrued interest payable	<u>12,578</u>
TOTAL CURRENT LIABILITIES	586,423

NET ASSETS

Without donor restrictions	115,215
With donor restrictions	<u>30,000</u>
TOTAL NET ASSETS	<u>145,215</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 731,638</u>
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The accompanying notes are an integral part of the financial statements.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 934,899	\$ -	\$ 934,899
Students with disabilities	191,669	-	191,669
Grants and contracts:			
Federal - Title and IDEA	63,175	-	63,175
Federal - other	782,714	-	782,714
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,972,457	-	1,972,457
Expenses:			
Program:			
Regular education	848,191	-	848,191
Special education	197,590	-	197,590
TOTAL PROGRAM SERVICES	1,045,781	-	1,045,781
Management and general	1,384,600	-	1,384,600
TOTAL OPERATING EXPENSES	2,430,381	-	2,430,381
DEFICIT FROM SCHOOL OPERATIONS	(457,924)	-	(457,924)
Support and other revenue:			
Contributions			
Foundations	496,750	30,000	526,750
Individuals	1,000	-	1,000
Miscellaneous income	13,389	-	13,389
Paycheck Protection Program loan forgiveness	62,000	-	62,000
TOTAL SUPPORT AND OTHER REVENUE	573,139	30,000	603,139
CHANGE IN NET ASSETS	115,215	30,000	145,215
Net assets at beginning of period	-	-	-
NET ASSETS AT END OF PERIOD	<u>\$ 115,215</u>	<u>\$ 30,000</u>	<u>\$ 145,215</u>

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

BUFFALO CREEK ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

		<u>Program Services</u>			<u>Supporting Services</u>	
	<u>No. of Positions</u>	<u>Regular Education</u>	<u>Special Education</u>	<u>Sub-total</u>	<u>Management and General</u>	<u>Total</u>
Personnel services costs:						
Administrative staff personnel	7	\$ -	\$ -	\$ -	\$ 649,022	\$ 649,022
Instructional personnel	<u>9</u>	<u>388,850</u>	<u>92,377</u>	<u>481,227</u>	<u>-</u>	<u>481,227</u>
Total salaries and wages	16	388,850	92,377	481,227	649,022	1,130,249
 Fringe benefits and payroll taxes		79,579	18,905	98,484	166,814	265,298
Retirement		4,933	1,172	6,105	10,342	16,447
Legal services		-	-	-	50,927	50,927
Accounting/Audit services		-	-	-	23,340	23,340
Other Purchased/Professional/Consulting Services		11,281	2,680	13,961	148,115	162,076
Building rent		75,933	18,039	93,972	941	94,913
Repairs and maintenance		35,982	8,548	44,530	-	44,530
Insurance		15,220	3,616	18,836	6,786	25,622
Utilities		-	-	-	40,485	40,485
Supplies/Materials		76,996	18,292	95,288	392	95,680
Equipment/Furnishings		8,142	1,934	10,076	8,101	18,177
Staff development		34,757	4,345	39,102	37,876	76,978
Marketing/Recruitment		29,764	7,071	36,835	87,378	124,213
Technology		34,380	8,168	42,548	23,867	66,415
Student services		19,967	4,744	24,711	6,798	31,509
Office expense		20,037	4,760	24,797	76,294	101,091
Depreciation		12,370	2,939	15,309	9,788	25,097
Other		-	-	-	37,334	37,334
		<u>\$ 848,191</u>	<u>\$ 197,590</u>	<u>\$ 1,045,781</u>	<u>\$ 1,384,600</u>	<u>\$ 2,430,381</u>

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

BUFFALO CREEK ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 145,215
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	25,097
Paycheck Protection Program loan forgiveness	(62,000)
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(301,716)
Prepaid expenses and other current assets	(17,781)
Other assets	(18,000)
Accounts payable and accrued expenses	54,347
Accrued payroll and benefits	54,653
Accrued interest payable	<u>12,578</u>
NET CASH USED FOR OPERATING ACTIVITIES	(107,607)

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(174,157)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(174,157)

CASH FLOWS - FINANCING ACTIVITIES

Borrowings on Paycheck Protection Program loan payable	62,000
Borrowings on long-term debt	<u>464,845</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>526,845</u>
NET INCREASE IN CASH	245,081
Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 245,081</u>

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

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

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

The Charter School

Buffalo Creek Academy Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Buffalo, New York. On January 2, 2020 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 through June 30, 2025 and renewable upon expiration. Through rigor and structure, the Charter School prepares fifth through twelfth grade students to graduate from college and positively impact the community.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – 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 net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$30,000 of net assets with donor restrictions at June 30, 2021.

Revenue recognition

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

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

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

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

Public school district revenue

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

The following table summarizes contract balances:

Grants and other receivables	\$ 12,087
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Contributions

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

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets 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 revenue 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 statement of activities and changes in net assets as net assets released from restriction.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and other receivables in the accompanying statement of financial position. Grant funds of approximately \$6,005 at June 30, 2021 are available for use in future years.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

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

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 is required to maintain cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. The Charter School has not funded its escrow account as of the report date; however did receive a waiver from its authorizer allowing the Charter School to fund the escrow for the first year of operations by November 30, 2021. The Charter School intends to fund the escrow account prior to November 30, 2021.

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, 2021.

Property and equipment

Property and equipment are recorded at cost. Depreciation is 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 five years. Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. In addition, the Charter School receives special education, transportation, speech, occupational therapy and food services from the local districts.

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2021 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.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

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

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$124,200 for the period from January 2, 2020 (date of inception) to June 30, 2021.

Use of estimates in the preparation of financial statements

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

New accounting pronouncements:

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School's financial statements.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 29, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted except as disclosed in Note F.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2021:

	<u>Amount</u>
Cash	\$ 245,081
Grants and other receivables	<u>301,716</u>
Total financial assets available within one year	546,797
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>(30,000)</u>
Total amounts unavailable to management for general expenditures within one year	<u>(30,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 516,797</u>

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

NOTE C: PROPERTY AND EQUIPMENT

At June 30, 2021, property and equipment consist of the following:

Furniture and fixtures	\$ 34,066
Computer equipment	93,597
Vehicles	<u>46,494</u>
	174,157
Less accumulated depreciation	<u>25,097</u>
	<u>\$ 149,060</u>

Total depreciation expense was \$25,097 for the period from January 2, 2020 (date of inception) through June 30, 2021.

NOTE D: LONG TERM DEBT

In April 2020, the Charter School entered into a grid promissory note with a third party. The amount of this note as of June 30, 2021 is \$464,845 and bears interest at 2.50% per annum. The note has a maturity date of June 30, 2022 at which time all unpaid principal and accrued interest are due. The note is secured by certain federal funding. The principal balance of the note and the accrued interest are included in the accompanying statement of financial position.

NOTE E: NET ASSETS

Net assets without donor restrictions consist of the following at June 30, 2021:

Undesignated net assets	\$ (33,845)
Invested property and equipment	<u>149,060</u>
	<u>\$ 115,215</u>

Net assets with donor restrictions consist of the following at June 30, 2021:

Bus campaign	<u>\$ 30,000</u>
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BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

NOTE F: SCHOOL FACILITIES

Effective July 1, 2020, the Charter School entered into a rental agreement with a third party for temporary space for six months and later extended the agreement for another six months at a monthly rate of \$7,831 through June 30, 2021. Rent expense incurred under this agreement for the period from January 2, 2020 (date of inception) to June 30, 2021 was \$93,972.

In November 2020, the Charter School entered into a lease agreement with a third party to rent a facility commencing on the date the Charter School takes possession of the premises. The Charter School moved into the facility during July 2021. The base monthly rent for the first year is \$25,033. Annual payments escalate through June 2031 with the option to extend for one five-year renewal term and the option to purchase after the initial fifteen-year term.

The future minimum payments required under the lease agreement is approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 300,400
2023	397,100
2024	397,100
2025	397,100
2026	397,100
Thereafter	<u>2,017,000</u>
	<u>\$ 3,905,800</u>

NOTE G: 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 H: CONCENTRATIONS

At June 30 ,2021, approximately 83% of grants and other receivables are due from the Federal government, relating to certain grants. For the period from January 2, 2020 (date of inception) through June 30, 2021, 33%, 44% and 15% of total revenue and support came from government grants, per-pupil funding provided by New York State and one donor, respectively. The per-pupil rate is set annually by New York State based on the school district in which the Charter School's students are located.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2021

NOTE I: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Charter School matches up to 3% of employee deferrals. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School contributed approximately \$16,447 to the Plan for the period from January 2, 2020 (date of inception) through June 30, 2021.

NOTE J: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$240. The agreements renew annually unless terminated by the Charter School.

NOTE K: FUNCTIONAL EXPENSES

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

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, in April 2020, the Charter School applied for and was approved by a bank for a loan of \$62,000 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. The loan and all accrued interest was forgiven in full on March 23, 2021 and is included in the accompanying statement of changes in net assets as Paycheck Protection Program loan forgiveness.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$60,602 of revenue relative to ESSER grants during the year ended June 30, 2021.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Buffalo Creek Academy Charter School

We have audited the financial statements of Buffalo Creek Academy Charter School as of June 30, 2021 and for the period from January 2, 2020 (date of inception) to June 30, 2021, and have issued our report thereon dated October 29, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements for the period from January 2, 2020 (date of inception) to June 30, 2021.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 29, 2021

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2021 AND THE PERIOD FROM
JANUARY 2, 2020 (DATE OF INCEPTION) TO JUNE 30, 2020

	Year ended June 30, 2021	Period from January 1, 2020 (date of inception) to June 30, 2020	Total
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 934,899	\$ -	\$ 934,899
Students with disabilities	191,669	-	191,669
Grants and contracts:			
Federal - Title and IDEA	63,175	-	63,175
Federal - other	618,286	164,428	782,714
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,808,029	164,428	1,972,457
Personnel services costs:			
Administrative staff personnel	425,357	223,665	649,022
Instructional personnel	481,227	-	481,227
Total salaries and wages	906,584	223,665	1,130,249
Fringe benefits and payroll taxes	231,307	33,991	265,298
Retirement	16,447	-	16,447
Legal services	45,098	5,829	50,927
Accounting/Audit services	21,000	2,340	23,340
Other Purchased/Professional/Consulting Services	139,609	22,467	162,076
Building rent	93,972	941	94,913
Repairs and maintenance	44,530	-	44,530
Insurance	22,160	3,462	25,622
Utilities	40,485	-	40,485
Supplies/Materials	95,288	392	95,680
Equipment/Furnishings	11,196	6,981	18,177
Staff development	69,514	7,464	76,978
Marketing/Recruitment	65,484	58,729	124,213
Technology	56,731	9,684	66,415
Student services	24,711	6,798	31,509
Office expense	99,188	1,903	101,091
Depreciation	25,097	-	25,097
Other	29,452	7,882	37,334
TOTAL OPERATING EXPENSES	2,037,853	392,528	2,430,381
DEFICIT FROM SCHOOL OPERATIONS	(229,824)	(228,100)	(457,924)
Support and other revenue:			
Contributions			
Foundations	126,750	400,000	526,750
Individuals	1,000	-	1,000
Miscellaneous income	9,545	3,844	13,389
Paycheck Protection Program loan forgiveness	62,000	-	62,000
TOTAL SUPPORT AND OTHER REVENUE	199,295	403,844	603,139
CHANGE IN NET ASSETS	\$ (30,529)	\$ 175,744	\$ 145,215

BUFFALO CREEK ACADEMY CHARTER SCHOOL

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
Buffalo Creek Academy 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 Creek Academy 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 period from January 2, 2020 (date of inception) to June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Buffalo Creek Academy 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 Creek Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Creek Academy 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 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 Buffalo Creek Academy 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying Schedule of Findings and Responses as item 2021-001.

Buffalo Creek Academy Charter School's Response to Finding

Buffalo Creek Academy Charter School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Buffalo Creek Academy Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Barw & Co. LLP

Rochester, New York
October 29, 2021

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2021

Finding 2021-001

Statement of condition

During our audit, we noted there were no birth certificate and proof of residency in several student files tested.

Criteria and effect of conditions

Charter schools receive public funding based on the number of students the charter school serves and the charter school tuition rate for the school district of residence. Proper documentation of birth certificates and proof of residency is important support to substantiate the amount of public funding received by a charter school.

Recommendation

We recommend the Charter School obtain birth certificates and proof of residency for every student file.

Management response

Buffalo Creek Academy Charter School's administrators will ensure strict adherence to the enrollment policy. The student records which were found to be incomplete will be completely reconciled by November 10, 2021. The following steps will be taken to accomplish this reconciliation and sustained enrollment management quality control:

Plan for Sustained Enrollment Management Quality Control:

1. From this point forward, the Operations Manager and Operations Associate (overseen by the Operations Director) will conduct internal quality assurance checks on student records and provide the report to the CEO each quarter. The CEO will approve the report and provide an update to the Governance Committee of the Board of Trustees. This will be reflected on the Masterdeck Dashboard for Student Recruitment and recorded within the minutes of the governance committee meetings at the end of each quarter.

Plan for Reconciliation:

1. We will conduct an internal audit of all current student records.
2. For incomplete records: All parents will be called on Wednesday November 3, 2021 and requested to bring in (or send in w/child) the Birth Certificate and/or Proof of Residency no later than Friday November 5, 2021.
3. On Friday November 5, 2021, for those students whose records are still incomplete, the parents will receive a phone call and letter home informing them that if the requested documentation is not received by the school by Wednesday November 17, 2021 their child will not be allowed to attend class in-person or virtually until said documentation has been received. These will not be considered approved absences, our attendance and truancy policy will apply.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



October 29, 2021

Board of Trustees
Buffalo Creek Academy Charter School

We have audited the financial statements of Buffalo Creek Academy Charter School for the period from January 2, 2020 (date of inception) to June 30, 2021, and have issued our report thereon dated October 29, 2021. 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 1, 2021, 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 Buffalo Creek Academy Charter School 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 judgment, 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.

Planned Scope and Timing of the Audit

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

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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. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced outsourced finance team who reviews the draft financial statements prior to issuance and accepts responsibility for them.

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 Buffalo Creek Academy Charter School is included in Note A to the financial statements. 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 allocation of operating expenses for the statement of functional expenses and the collectability of grants and other receivables. 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 Buffalo Creek Academy Charter School'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 are pleased to report 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. Management has corrected all such misstatements.

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 Buffalo Creek Academy Charter School'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 Buffalo Creek Academy Charter School, 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 Buffalo Creek Academy Charter School's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Control Matters

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Caitlin Langmead 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 Buffalo Creek Academy Charter School 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

MENGEL, METZGER, BARR & CO. LLP