

**AUDITED
FINANCIAL STATEMENTS**

BUFFALO COLLEGIATE CHARTER SCHOOL

JUNE 30, 2019

BUFFALO COLLEGIATE CHARTER SCHOOL

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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 statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019 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 Collegiate Charter School as of June 30, 2019, and the changes in its net assets, and its cash flows for the period October 12, 2017 (date of inception) through June 30, 2019, 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 23, 2019 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 23, 2019

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

ASSETS	2019
Current assets:	
Cash	\$ 429,014
Grant and other receivables	213,484
Prepaid expenses	<u>6,448</u>
Total current assets	648,946
Security deposit	33,515
Property and equipment, net	<u>446,308</u>
Total assets	<u><u>\$ 1,128,769</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$ 39,645
Accrued expenses	<u>39,256</u>
Total current liabilities	78,901
Deferred rent	<u>16,540</u>
Total liabilities	95,441
Net assets:	
Net assets without donor restrictions	835,304
Net assets with donor restrictions	<u>198,024</u>
Total net assets	<u>1,033,328</u>
Total liabilities and net assets	<u><u>\$ 1,128,769</u></u>

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
For the period October 12, 2017 through June 30, 2019

	Without Donor Restrictions	With Donor Restriction	Total
Revenue and support			
State aid (school district payments)	\$ 1,512,805	\$ -	\$ 1,512,805
Special education	68,194	-	68,194
Federal and state grants	830,806	-	830,806
Contributions - private	645,454	259,498	904,952
Fundraising income	2,726	-	2,726
Other income	4,194	-	4,194
Net assets released from restriction	61,474	(61,474)	-
Total revenue and support	3,125,653	198,024	3,323,677
Expenses			
Program services			
Regular education	1,130,066	-	1,130,066
Special education	131,456	-	131,456
Other program	124,015	-	124,015
Total program services	1,385,537	-	1,385,537
Management and general	904,812	-	904,812
Total expenses	2,290,349	-	2,290,349
Changes in net assets	835,304	198,024	1,033,328
Net assets - beginning of period	-	-	-
Net assets - end of period	\$ 835,304	\$ 198,024	\$ 1,033,328

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

For the period October 12, 2017 through June 30, 2019

	Number of Positions	Program Services				Management and General	Total
		Regular Education	Special Education	Other Program	Total		
Salaries							
Administrative staff	5	\$ -	\$ -	\$ -	\$ -	\$ 394,238	\$ 394,238
Instructional	12	552,073	92,974	-	645,047	-	645,047
Non-instructional	1	-	-	75,003	75,003	-	75,003
Total salaries	18	552,073	92,974	75,003	720,050	394,238	1,114,288
Payroll taxes		48,703	8,397	5,878	62,978	34,915	97,893
Employee benefits		32,844	5,663	3,964	42,471	22,804	65,275
Pension		10,761	1,855	1,299	13,915	4,638	18,553
Occupancy		202,458	12,654	12,654	227,766	25,307	253,073
Student recruitment		-	-	-	-	107,295	107,295
Professional fees		-	-	-	-	92,582	92,582
Contracted services		-	-	-	-	75,877	75,877
Instructional materials		68,648	-	-	68,648	-	68,648
Student services		60,369	-	-	60,369	-	60,369
Depreciation		35,993	-	2,256	38,249	8,706	46,955
Repairs and maintenance		-	-	-	-	43,370	43,370
Office expense		-	-	-	-	36,343	36,343
Staff development		34,002	-	-	34,002	-	34,002
Technology expense		31,098	-	-	31,098	-	31,098
Nurses office		25,470	-	-	25,470	-	25,470
Insurance		-	-	-	-	24,933	24,933
Afterschool program		-	-	22,761	22,761	-	22,761
Staff recruitment		-	-	-	-	19,661	19,661
Student activities		14,127	-	-	14,127	-	14,127
Deferred rent		-	-	-	-	13,743	13,743
Instructional consultants		10,000	-	-	10,000	-	10,000
Special education services		-	9,713	-	9,713	-	9,713
Telephone & internet		3,200	200	200	3,600	400	4,000
Conferences		320	-	-	320	-	320
Total expenses		\$ 1,130,066	\$ 131,456	\$ 124,015	\$ 1,385,537	\$ 904,812	\$ 2,290,349

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

For the period October 12, 2017 through June 30, 2019

Cash flows from operating activities:

Changes in net assets \$ 1,033,328

Adjustments to reconcile changes in net assets
to cash provided by operating activities:

Depreciation 46,955

Increase in assets:

Grant and other receivables (213,484)

Prepaid expenses (6,448)

Security deposit (33,515)

Increase in liabilities:

Accounts payable 39,645

Accrued expenses 39,256

Deferred rent 16,540

Net cash provided by operating activities 922,277

Cash flows from investing activities:

Purchase of property and equipment (493,263)

Net cash used by investing activities (493,263)

Net increase in cash 429,014

Cash at the beginning of the period -

Cash at the end of the period \$ 429,014

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 chartered by the Board of Regents of the New York State Education Department ("NYSED") 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 2018-19 school year represents the Charter School's first year of operation. During this academic year, the Charter School provided educational instruction to students in fourth and fifth grade.

Presentation

These financial statements include statements of activities and changes in net assets, functional expenses, and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019.

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 without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Charter School, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Charter School's Board of Trustees has not designated, from net assets without donor restrictions, any net assets as of June 30, 2019.

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 statement 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 Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. The Charter School implemented FASB ASU 2016-14 in the current period. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a statement of functional expenses.
- The financial statements include a disclosure about liquidity and availability of resources (see Note 3).

The Charter School adopted FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), using a retrospective method of application. The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that the Charter School recognizes revenue to depict the transfer of promised services to students in an amount that reflects the consideration to which the Charter School expects to be entitled in exchange for those services. The impact of adopting ASU 2014-09 is not material to total revenues and other support without donor restrictions, changes in net assets or net assets without donor restrictions.

Recently Issued Accounting Pronouncements

In August 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, 2019 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.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

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

Expense Recognition and Allocation

The financial statements report certain categories of expenses that are attributable to a program or supporting function in the statement 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.

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 statement of activities and changes in net assets as net assets released from restrictions. There were no net assets released from restrictions in the current period.

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.

Designated Cash

The Charter School maintains designated cash of \$25,000 in accordance with the terms of its charter agreement for potential school close-out expenses. Designated cash is included in cash on the statement of financial position.

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, 2019 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 period ended June 30, 2019, there was no impairment of long-lived assets.

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

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

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, 2018 and June 30, 2019 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.

Recruiting costs

The Charter School expenses marketing costs as they are incurred. Total recruiting costs were approximately \$127,000 for the period ended June 30, 2019.

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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 23, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE 2. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2019 consists of the following:

Leasehold improvements	\$ 378,183
Office equipment	38,394
Instructional equipment	60,693
Cafeteria equipment	<u>15,993</u>
	493,263
Less accumulated depreciation	<u>46,955</u>
	<u>\$ 446,308</u>

BUFFALO COLLEGIATE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

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, 2019 are:

Cash	\$ 404,014
Grant and other receivables	<u>19,026</u>
	<u>\$ 423,040</u>

To help manage unanticipated liquidity needs, the Charter School has an available line of credit of \$250,000. Refer to Note 8 for further details.

NOTE 4. SCHOOL FACILITY

The Charter School signed a lease for its facility from a third party commencing May 10, 2018 through July 31, 2023. Rent expense totaled \$253,073 for the period ended June 30, 2019. Future expected minimum payment for this lease after June 30, 2019 are as follows:

Year ending June 30:	
2020	\$ 368,916
2021	368,916
2022	368,916
2023	368,916
2024	<u>30,731</u>
	<u>\$ 1,506,395</u>

NOTE 5. 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 6. CONCENTRATIONS

The Charter School's primary source of funding is obtained from the Buffalo Board of Education and is reported as state aid revenue in the accompanying statement of activities and changes in net assets. This funding is received on a per pupil basis and was approximately 97% of the Charter School's total state aid revenue for the period ended June 30, 2019.

NOTE 7. RETIREMENT PLAN

The School has a 401(k) retirement plan covering substantially all employees. The 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 School contributes employer matching and employer profit sharing contributions. The School's pension expense for the period ended June 30, 2019 was approximately \$18,500.

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

NOTE 8. LINE OF CREDIT

The Charter School has an available variable rate nondisclosable revolving line of credit of \$250,000 with a bank due on November 29, 2019. The reference rate (prime rate of 5.50%) is added to the margin of 1.0%, resulting in an initial rate of 6.50%. There were no borrowings against the line of credit at June 30, 2019.

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, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the period October 12, 2017 (date of inception) through June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2019.

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 23, 2019