

# BUFFALO UNITED CHARTER SCHOOL



Financial Statements, Additional Information,  
and Federal Awards Supplemental Information  
as of and for the Years Ended June 30, 2014  
and 2013, and Independent Auditor's Reports

# **BUFFALO UNITED CHARTER SCHOOL**

## **TABLE OF CONTENTS**

---

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013:	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
ADDITIONAL INFORMATION —	10
Schedule of Functional Expenses	11
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	12-13
SUPPLEMENTAL INFORMATION —	14
REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	15-16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditure of Federal Awards	18
Schedule of Findings and Questioned Costs	19-20

## Independent Auditor's Report

To the Board of Directors  
Buffalo United Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Buffalo United Charter School (the "School"), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets 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 audits 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 United Charter School as of June 30, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Buffalo United Charter School

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Buffalo United Charter School's basic financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and supplemental schedule of functional expenses, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The supplemental schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014 on our consideration of Buffalo United 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 the 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 United Charter School's internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

October 28, 2014

# **BUFFALO UNITED CHARTER SCHOOL**

## **STATEMENT OF FINANCIAL POSITION JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 109,401	\$ 101,233
Due from governmental revenue sources	<u>211,203</u>	<u>232,420</u>
Total current assets	<u>320,604</u>	<u>333,653</u>
NON-CURRENT ASSETS:		
Capital assets	3,602	-
Less accumulated depreciation	<u>(60)</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>3,542</u>	<u>-</u>
TOTAL	<u><u>\$ 324,146</u></u>	<u><u>\$ 333,653</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Deferred revenue	\$ 220	\$ 372
Contracted service fee payable	<u>286,213</u>	<u>307,276</u>
Total liabilities	<u>286,433</u>	<u>307,648</u>
NET ASSETS:		
Unrestricted and undesignated	<u>37,713</u>	<u>26,005</u>
TOTAL	<u><u>\$ 324,146</u></u>	<u><u>\$ 333,653</u></u>

See notes to financial statements.

## **BUFFALO UNITED CHARTER SCHOOL**

### **STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 8,029,295	\$ 7,601,755
Other state sources	266,919	391,450
Federal sources	882,623	857,502
Private sources	<u>28,709</u>	<u>29,074</u>
Total revenues, gains and other support	9,207,546	8,879,781
EXPENSES:		
Contracted service fee	9,195,778	8,861,645
Depreciation	<u>60</u>	<u>-</u>
Total expenses	<u>9,195,838</u>	<u>8,861,645</u>
CHANGE IN UNRESTRICTED NET ASSETS	11,708	18,136
NET ASSETS:		
Beginning of year	<u>26,005</u>	<u>7,869</u>
End of year	<u>\$ 37,713</u>	<u>\$ 26,005</u>

See notes to financial statements.

## BUFFALO UNITED CHARTER SCHOOL

### STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
State aid	\$ 8,056,975	\$ 7,535,061
Other state sources	224,162	391,449
Federal sources	918,917	937,732
Private sources	28,557	29,060
Payments for services rendered	<u>(9,216,841)</u>	<u>(8,875,168)</u>
Net cash provided by operating activities	<u>11,770</u>	<u>18,134</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of other equipment	<u>(3,602)</u>	<u>-</u>
NET INCREASE IN CASH	8,168	18,134
CASH — Beginning of year	<u>101,233</u>	<u>83,099</u>
CASH — End of year	<u>\$ 109,401</u>	<u>\$ 101,233</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 11,708	\$ 18,136
Depreciation	60	-
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	21,217	13,535
Change in deferred revenue	(152)	(14)
Change in contracted service fee payable	<u>(21,063)</u>	<u>(13,523)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 11,770</u>	<u>\$ 18,134</u>

See notes to financial statements.

# **BUFFALO UNITED CHARTER SCHOOL**

## **NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

---

### **1. NATURE OF OPERATIONS**

Buffalo United Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School's operations. The charter expires July 31, 2016 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2013 through May 2014 for the year ended June 30, 2014.

The Board of Trustees of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources. These funds are property of the School and may be used by the School at the discretion of the board.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

**Estimates** — 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



disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash** — Cash as of June 30, 2014 and 2013 represents bank deposits which are covered by federal depository insurance.

**Deferred Revenue** — Deferred revenue as of June 30, 2014 and 2013 consists of funds received for services which have not yet been performed.

**Contracted Service Fee Payable** — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

**Capital Assets** — Capital assets, which include other equipment, are reported in at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

**The Financial Statements** — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Income Taxes** — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

The School has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. The School recognizes the effect of income tax positions only if the positions are more likely than not of

being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to June 30, 2011.

### 3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2014 or 2013, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

### 4. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### 5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
Equipment	\$ -	\$ 3,602	\$ -	\$ 3,602
Total capital assets at historical cost	-	3,602	-	3,602
Less accumulated depreciation — equipment	-	60	-	60
Total accumulated depreciation	-	60	-	60
Total capital asset activity, net	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ -</u>	<u>\$ 3,542</u>

### 6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2013 through June 30, 2014. Annual rental payments required by the lease are \$858,720 payable in twelve monthly payments of \$71,560. This lease is

automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The School subsequently renewed the sublease with NHA for the period of July 1, 2014 through June 30, 2015 at the same rental rate.

## **7. FUNCTIONAL EXPENSES**

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

	<b>2014</b>	<b>2013</b>
Program services:		
Regular education	\$ 5,671,154	\$ 5,518,881
Special education	404,967	420,227
Supporting services — management and general	3,119,657	2,922,537
	<hr/>	<hr/>
Total contracted service fee	9,195,778	8,861,645
Depreciation Expense	60	-
	<hr/>	<hr/>
Total expenses	<u>\$ 9,195,838</u>	<u>\$ 8,861,645</u>

## **8. SUBSEQUENT EVENTS**

Events or transactions for the year ended June 30, 2014 have been evaluated through October 28, 2014, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

\* \* \* \* \*

## **ADDITIONAL INFORMATION**

# **BUFFALO UNITED CHARTER SCHOOL**

## **SCHEDULE OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013**

	<b>2014</b>				
	<b>Program Services</b>		<b>Supporting Services</b>		
	<b>Regular Education</b>	<b>Special Education</b>	<b>Management and General</b>	<b>Total</b>	<b>2013 Total</b>
Contracted service fee:					
Salaries and wages	\$ 2,474,073	\$ 214,719	\$ -	\$ 2,688,792	\$ 2,600,221
Retirement contributions	60,794	4,365	-	65,159	65,690
Other employee benefits	502,601	40,153	-	542,754	588,838
Payroll taxes	211,253	17,704	-	228,957	224,694
Accounting fees	15,689	-	379,864	395,553	297,224
Supplies	212,456	2,544	33,511	248,511	205,976
Postage and shipping	6,875	-	-	6,875	12,512
Occupancy	1,273,079	-	-	1,273,079	1,254,073
Food service	361,202	-	-	361,202	340,689
Equipment rental and maintenance	24,311	-	-	24,311	17,112
Printing and publications	31,852	-	-	31,852	34,926
Travel	6,557	-	-	6,557	1,590
Professional development and meetings	46,696	-	-	46,696	34,832
Professional fees	385,117	125,482	-	510,599	521,565
Instructional support	-	-	534,928	534,928	381,556
Academic and general support	-	-	631,030	631,030	932,430
Enrollment and parent relations	-	-	135,807	135,807	118,178
Board support	-	-	270,719	270,719	179,397
Human resources	-	-	508,246	508,246	425,433
Support services	-	-	93,509	93,509	58,334
Technology services	316	-	402,841	403,157	400,251
Marketing and business development	11,742	-	129,202	140,944	123,612
Insurance	23,491	-	-	23,491	22,968
Miscellaneous	23,050	-	-	23,050	19,544
Total contracted service fee	5,671,154	404,967	3,119,657	9,195,778	8,861,645
Depreciation	60	-	-	60	-
Total expenses	<u>\$ 5,671,214</u>	<u>\$ 404,967</u>	<u>\$ 3,119,657</u>	<u>\$ 9,195,838</u>	<u>\$ 8,861,645</u>

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*

Independent Auditor's Report

To Management and the Board of Directors  
Buffalo United Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Buffalo United Charter School, which comprise the basic statement of financial position as of June 30, 2014, and the related basic statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 28, 2014.

**Internal Control Over Financial Reporting**

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

To Management and the Board of Directors  
Buffalo United Charter School

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Buffalo United 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 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.

*Plante & Moran, PLLC*

Grand Rapids, Michigan  
October 28, 2014

## **SUPPLEMENTAL INFORMATION**



Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors  
Buffalo United Charter School

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

We have audited Buffalo United Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Buffalo United Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Buffalo United Charter School's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Buffalo United Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Buffalo United Charter School's compliance.

***Opinion on the Major Federal Program***

In our opinion, Buffalo United Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

To the Board of Directors  
Buffalo United Charter School

### **Report on Internal Control Over Compliance**

Management of Buffalo United Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Buffalo United Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

Grand Rapids, Michigan  
October 28, 2014

# BUFFALO UNITED CHARTER SCHOOL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>State/Pass- through Grantor's Number</b>	<b>Expenditures</b>
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through New York State Education Department:			
National School Breakfast Program	10.553		\$ 46,639
National School Lunch Program	10.555		<u>283,814</u>
Total U.S. Department of Agriculture			<u>330,453</u>
U.S. Department of Education:			
Passed through New York State Education Department -			
Title I, Part A - Title I, Grants to Local Educational Agencies	84.010	0021134231	28,221
		0021144231	<u>365,174</u>
Total Title I, Part A - Title I, Grants to Local Educational Agencies			393,395
Title II, Improving Teacher Quality	84.367	0147134231	3,464
		0147144231	<u>57,875</u>
Total Title II, Improving Teacher Quality			61,339
Race to the Top - ARRA	84.395	5500134231	(1)
		5500144231	<u>1,128</u>
Total Race to the Top-ARRA			1,127
Passed through Local School District - IDEA, Part B	84.027	2014	<u>96,309</u>
Total U.S. Department of Education			<u>552,170</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 882,623</u>

---

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

**Note 1 - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Buffalo United Charter School under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the Schedule presents only a selected portion of the operations of Buffalo United Charter School, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Buffalo United Charter School. Pass-through entity identifying numbers are presented where available.

**Note 2 - Grant Auditor Report**

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**BUFFALO UNITED CHARTER SCHOOL****SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014****Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None