

SOUTH BUFFALO CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2010

SOUTH BUFFALO CHARTER SCHOOL

TABLE OF CONTENTS

JUNE 30, 2010

Independent Auditors' Report	1
Financial Statements	2
Notes to Financial Statements	5
<u>Additional Information</u>	
Schedule of Expenses	7
Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards	9
<u>Reports on Federal Award Programs</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 <i>Government Auditing Standards</i>	10
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	12
Schedule of Findings and Questioned Costs	14
Summary Schedule of Prior Audit Findings	15

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
South Buffalo Charter School
Buffalo, New York

We have audited the accompanying balance sheets of South Buffalo Charter School (the School) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 on our consideration of the 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the School. The accompanying additional information and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



September 30, 2010

SOUTH BUFFALO CHARTER SCHOOL

Balance Sheets

June 30,	2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,205,326	\$ 4,993,513
Accounts and other receivables (Note 2)	260,475	193,366
Prepaid expenses	103,655	86,138
	<u>6,569,456</u>	<u>5,273,017</u>
Property and equipment, net (Note 3)	3,435,215	3,191,317
	<u>\$ 10,004,671</u>	<u>\$ 8,464,334</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 867,569	\$ 791,836
Net assets:		
Unrestricted	<u>9,137,102</u>	<u>7,672,498</u>
	<u>\$ 10,004,671</u>	<u>\$ 8,464,334</u>

SOUTH BUFFALO CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2010	2009
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue-resident student enrollment	\$ 6,901,572	\$ 6,678,219
Revenue-students with disabilities	457,267	351,157
Federal grants	534,347	505,050
Investment income	30,987	63,875
Other income	25,233	7,147
Total unrestricted support and revenue	7,949,406	7,605,448
Expenses:		
Program expenses:		
Regular education	3,794,287	3,555,828
Special education	606,718	604,929
Other programs	1,241,876	516,806
Total program expenses	5,642,881	4,677,563
Supporting services:		
Management and general	841,921	1,250,952
Total expenses	6,484,802	5,928,515
Change in net assets	1,464,604	1,676,933
Net assets - beginning	7,672,498	5,995,565
Net assets - ending	\$ 9,137,102	\$ 7,672,498

SOUTH BUFFALO CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2010	2009
Operating activities:		
Change in net assets	\$ 1,464,604	\$ 1,676,933
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	210,556	194,670
Changes in current operating assets and liabilities:		
Accounts and other receivables	(67,109)	151,895
Prepaid expenses	(17,517)	28,901
Accounts payable and accrued expenses	75,733	(232,513)
Operating activities	1,666,267	1,819,886
Investing activities:		
Property and equipment expenditures	(454,454)	(399,536)
Net increase in cash	1,211,813	1,420,350
Cash - beginning	4,993,513	3,573,163
Cash - ending	\$ 6,205,326	\$ 4,993,513

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

South Buffalo Charter School (the School), operates a charter school in the City of Buffalo (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School has been chartered through 2015. The School currently offers classes from kindergarten through grade 8.

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

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 30, 2010 (the date the financial statements were available to be issued).

Cash and Cash Equivalents:

The School includes all highly liquid investments with original maturities of 90 days or less in cash and cash equivalents.

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year.

Accounts Receivable:

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

Property and Equipment:

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

Enrollment Fees:

The School is reimbursed by each student's resident school district annually, based on the product of the State approved operating expense of that district and the full time equivalent enrollment of the students in the School residing in the district. The School's enrollment fees are received primarily from the Board of Education for the City of Buffalo School District.

Grants:

The School is the recipient of awards and reimbursements from various federal, state and local sources. The awards and reimbursements are subject to various compliance and financial audits by the funding source. Management believes no significant adjustments are necessary to recognized amounts.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code. The School believes it is no longer subject to examination by Federal and State authorities for years prior to 2007.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Accounts and Other Receivables:

	2010	2009
Enrollment fees	\$ -	\$ 22,370
Grants	243,003	170,996
Other	17,472	-
	<u>\$ 260,475</u>	<u>\$ 193,366</u>

3. Property and Equipment:

	2010	2009
Construction in progress	\$ 14,555	\$ 59,033
Buildings and improvements	3,387,377	3,111,368
Furniture and equipment	1,423,762	1,200,839
	<u>4,825,694</u>	<u>4,371,240</u>
Less accumulated depreciation	1,390,479	1,179,923
	<u>\$ 3,435,215</u>	<u>\$ 3,191,317</u>

4. Retirement Plan:

The School maintains a 403 (b) profit sharing plan covering qualified employees. The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2010 and 2009 were \$12,037 and \$10,846.

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

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3.5% of compensation throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 6.19% of the annual covered payroll as of June 30, 2010 and 7.63% for the year ended June 30, 2009.

The required contributions for the years ended June 30, 2010 and 2009 were \$207,278 and \$175,598.

5. Contingencies:

The School is involved in legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the School.

SOUTH BUFFALO CHARTER SCHOOL

Additional Information
Schedule of Expenses

For the year ended June 30, 2010 (with comparative totals for 2009)

	2010				2009	
	Regular Education	Special Education	Other Programs	Management and General	Total	Total
Salaries	\$ 2,473,771	\$ 319,460	\$ 868,277	\$ 434,139	\$ 4,095,647	\$ 3,766,207
Employee benefits and taxes	668,530	86,333	234,650	117,325	1,106,838	926,437
Consultants-other	-	6,388	-	-	6,388	14,904
Contracted services-other	-	146,332	-	37,567	183,899	133,340
Equipment rental	3,408	440	-	1,795	5,643	-
Insurance	-	-	-	72,312	72,312	61,262
Maintenance and repairs	-	-	-	49,987	49,987	85,055
Occupancy	90,013	11,624	31,594	15,797	149,028	181,161
Other expenses	28,585	-	3,796	12,281	44,662	57,580
Printing and copying	28,379	3,665	9,961	4,980	46,985	42,507
Professional fees	-	-	-	62,303	62,303	49,838
Staff development	38,750	5,004	-	20,401	64,155	82,432
Supplies and materials	104,026	2,278	-	-	106,304	123,008
Telephone	14,283	1,844	5,013	2,507	23,647	30,869
Textbooks and programs	155,041	17,033	46,294	-	218,368	157,396
Transportation	-	-	38,080	-	38,080	21,849
	3,604,786	600,401	1,237,665	831,394	6,274,246	5,733,845
Depreciation	189,501	6,317	4,211	10,527	210,556	194,670
Total	\$ 3,794,287	\$ 606,718	\$ 1,241,876	\$ 841,921	\$ 6,484,802	\$ 5,928,515

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through the New York State Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	0021-09-4035	\$ 57,686
Title I Grants to Local Educational Agencies	84.010	0021-10-4035	319,586
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	5021-10-4035	64,746
Total Title I, Part A Cluster			442,018
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-10-4035	4,756
Educational Technology State Grants	84.318	0292-10-4035	3,101
Reading First State Grants	84.357	0243-10-0127	35,129
Improving Teacher Quality State Grants	84.367	0147-09-4035	154
Improving Teacher Quality State Grants	84.367	0147-10-4035	49,189
Total U.S. Department of Education			534,347
Total Expenditures of Federal Awards			\$ 534,347

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation:

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

Basis of Accounting:

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

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

The Board of Trustees
South Buffalo Charter School
Buffalo, New York

We have audited the financial statements of South Buffalo Charter School (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Trustees, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Symdon & McCormick, LLP
September 30, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
South Buffalo Charter School
Buffalo, New York

Compliance

We have audited the compliance of South Buffalo Charter School (the School) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

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

September 30, 2010

Schedule of Findings and Questioned Costs

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

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>	<u>Amount</u>
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	\$ 377,272
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	64,746
		<u>\$ 442,018</u>

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

Summary Schedule of Prior Audit Findings

<u>Reference Number</u>	<u>Discussion</u>	<u>Cost</u>	<u>Status of Finding</u>
------------------------------------	--------------------------	--------------------	---

No findings were reported and as such no corrective action plan is needed.