

Charter School Annual Financial Statement Audit Report

To: Charter Schools Institute
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From:	School Name:	South Buffalo Charter School
	Audit Period:	June 30, 2009
	Date: <i>Report is due Nov. 1</i>	October 29, 2009

The following items are required to be included:

- ☐ The independent auditor's report on financial statements, financial statements and notes.
- ☐ Reports on internal control over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$500,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below
Management Letter	Written management letter was not issued.
Management letter response	Written management letter was not issued.
Federal Single Audit (A-133)	
Corrective Action Plan	No findings were reported and as such no corrective action plan is needed.

Please also send one copy of this form and all required enclosures to each of the following offices:

Public School Choice Programs New York State Education Department 89 Washington Avenue Room 462 EBA Albany, New York 12234 charterschools@mail.nysed.gov	Office of Audit Services New York State Education Department 89 Washington Avenue Room 524 EB Albany, New York 12234 jconway@mail.nysed.gov

SOUTH BUFFALO CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2009

SOUTH BUFFALO CHARTER SCHOOL

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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, 2009 and 2008, 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, 2009 and 2008, 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 October 13, 2009 on our consideration of the School's internal control over financial reporting and 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 the 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 as a whole.



October 13, 2009

SOUTH BUFFALO CHARTER SCHOOL

Balance Sheets

June 30,	2009	2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,993,513	\$ 3,573,163
Accounts and other receivables (Note 2)	193,366	345,261
Prepaid expenses	86,138	115,039
	<u>5,273,017</u>	<u>4,033,463</u>
Property and equipment, net (Note 3)	<u>3,191,317</u>	<u>2,986,451</u>
	<u>\$ 8,464,334</u>	<u>\$ 7,019,914</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 791,836	\$ 1,024,349
Net assets:		
Unrestricted	<u>7,672,498</u>	<u>5,995,565</u>
	<u>\$ 8,464,334</u>	<u>\$ 7,019,914</u>

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2009	2008
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue-resident student enrollment	\$ 6,678,219	\$ 5,981,043
Revenue-students with disabilities	351,157	372,661
Federal grants	505,050	706,726
Investment income	63,875	104,420
Other income	7,147	51,723
Total unrestricted support and revenue	7,605,448	7,216,573
Expenses:		
Program expenses:		
Regular education	3,555,828	3,514,260
Special education	604,929	590,733
Other program	516,806	514,681
Total program expenses	4,677,563	4,619,674
Supporting services:		
Management and general	1,250,952	1,223,749
Total expenses	5,928,515	5,843,423
Increase in net assets	1,676,933	1,373,150
Net assets - beginning	5,995,565	4,622,415
Net assets - ending	\$ 7,672,498	\$ 5,995,565

SOUTH BUFFALO CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2009	2008
Cash flows from operating activities:		
Increase in net assets	\$ 1,676,933	\$ 1,373,150
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	194,670	175,226
Changes in current operating assets and liabilities:		
Accounts and other receivables	151,895	(60,157)
Prepaid expenses	28,901	(9,283)
Accounts payable and accrued expenses	(232,513)	142,940
Net cash flows from operating activities	1,819,886	1,621,876
Cash flows from investing activities:		
Property and equipment expenditures	(399,536)	(320,746)
Net increase in cash	1,420,350	1,301,130
Cash - beginning	3,573,163	2,272,033
Cash - ending	\$ 4,993,513	\$ 3,573,163

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 2010, and is in the process of applying for a charter renewal 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 October 13, 2009 (the date on which 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.

Fees and 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 2006.

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 Receivable:

	2009	2008
Enrollment fees	\$ 22,370	\$ 9,379
Grants	170,996	315,362
Other	-	20,520
	<u>\$193,366</u>	<u>\$345,261</u>

3. Property and Equipment:

	2009	2008
Construction in progress	\$ 59,033	\$ 35,615
Buildings and improvements	3,111,368	2,872,852
Furniture and equipment	1,200,839	1,063,237
	<u>4,371,240</u>	<u>3,971,704</u>
Less accumulated depreciation	1,179,923	985,253
	<u>\$ 3,191,317</u>	<u>\$ 2,986,451</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, 2009 and 2008 were \$10,846 and \$8,163.

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer, public employee retirement system. The system 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. All benefits vest after ten years of service.

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.

The system is noncontributory except for employees who joined the system after July 1976 who contribute 3% of their salary. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 7.63% of the annual covered payroll for the year ended June 30, 2009 and 8.73% for the year ended June 30, 2008.

The required contributions for the years ended June 30, 2009 and 2008 were \$175,598 and \$226,714.

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, 2009 (with comparative totals for 2008)

	2009				2008	
	Regular Education	Special Education	Other Program	Management and General	Total	Total
Salaries	\$ 2,410,372	\$ 338,959	\$ 301,297	\$ 715,579	\$ 3,766,207	\$ 3,524,705
Employee benefits and taxes	592,920	83,379	74,115	176,023	926,437	1,157,682
Consultants-education	-	-	-	-	-	22,611
Consultants-other	-	14,904	-	-	14,904	25,975
Contracted services-other	-	129,416	-	3,924	133,340	109,916
Equipment rental	-	-	-	-	-	984
Insurance	-	-	-	61,262	61,262	64,639
Maintenance and repairs	-	-	-	85,055	85,055	34,419
Occupancy	115,943	16,304	14,493	34,421	181,161	141,585
Printing and copying	27,204	3,826	3,401	8,076	42,507	32,404
Professional fees	-	-	-	49,838	49,838	38,447
Supplies and materials	62,735	12,301	-	47,972	123,008	201,971
Other expenses	36,852	-	4,894	15,834	57,580	37,749
Staff development	70,067	-	-	12,365	82,432	70,690
Telephone	-	-	-	30,869	30,869	23,966
Textbooks and programs	64,532	-	92,864	-	157,396	148,774
Transportation	-	-	21,849	-	21,849	31,680
	3,380,625	599,089	512,913	1,241,218	5,733,845	5,668,197
Depreciation	175,203	5,840	3,893	9,734	194,670	175,226
Total	\$ 3,555,828	\$ 604,929	\$ 516,806	\$ 1,250,952	\$ 5,928,515	\$ 5,843,423

SOUTH BUFFALO CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2009

<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 Grants to Local Educational Agencies	84.010	0021-08-4035	\$ 42,066
Title I Grants to Local Educational Agencies	84.010	0021-09-4035	267,121
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-08-4035	499
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-09-4035	4,904
State Grants for Innovative Programs	84.298	0002-08-4035	(1,000)
State Grants for Innovative Programs	84.298	0002-09-4035	1,657
Education Technology State Grants	84.318	0292-09-4035	3,360
Reading First State Grants	84.357	0243-09-0127	133,790
Improving Teacher Quality State Grants	84.367	0147-08-4035	4,540
Improving Teacher Quality State Grants	84.367	0147-09-4035	48,113
Total U.S. Department of Education			505,050
Total Expenditures of Federal Awards			\$ 505,050

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, 2009, and have issued our report thereon dated October 13, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, 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, others within the entity, 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.



October 13, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, others within the entity, 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.



October 13, 2009

Schedule of Findings and Questioned Costs

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

Type of auditors' report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	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 that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	<i>Unqualified</i>
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 Grants to Local Educational Agencies	84.010	<u>\$ 309,187</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.		