

**SOUTH BUFFALO CHARTER SCHOOL**  
**SINGLE AUDIT REPORTING PACKAGE**  
**JUNE 30, 2011**

# **SOUTH BUFFALO CHARTER SCHOOL**

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**JUNE 30, 2011**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
South Buffalo Charter School

We have audited the accompanying balance sheets of South Buffalo Charter School (the School) as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 11, 2011 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 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 audits were conducted for the purpose of forming an opinion on the basic 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 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 financial statements. The accompanying additional information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



October 11, 2011

SOUTH BUFFALO CHARTER SCHOOL

**Balance Sheets**

June 30,	2011	2010
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 8,733,067	\$ 6,205,326
Accounts and other receivables (Note 2)	73,195	260,475
Prepaid expenses	96,432	103,655
	<u>8,902,694</u>	<u>6,569,456</u>
Property and equipment, net (Note 3)	3,665,986	3,435,215
	<u>\$ 12,568,680</u>	<u>\$ 10,004,671</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 905,124	\$ 867,569
<b>Net assets:</b>		
Unrestricted	<u>11,663,556</u>	<u>9,137,102</u>
	<u>\$ 12,568,680</u>	<u>\$ 10,004,671</u>

# SOUTH BUFFALO CHARTER SCHOOL

## Statements of Activities

For the years ended June 30,	2011	2010
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Public school districts:		
Revenue-resident student enrollment	\$ 7,978,312	\$ 6,901,572
Revenue-students with disabilities	567,275	457,267
Federal grants	502,133	534,347
Investment income	16,107	30,987
Other income	18,976	25,233
<b>Total unrestricted support and revenue</b>	<b>9,082,803</b>	<b>7,949,406</b>
Expenses:		
Program expenses:		
Regular education	3,927,912	3,794,287
Special education	598,153	606,718
Other programs	1,318,614	1,241,876
<b>Total program expenses</b>	<b>5,844,679</b>	<b>5,642,881</b>
Supporting services:		
Management and general	711,670	841,921
<b>Total expenses</b>	<b>6,556,349</b>	<b>6,484,802</b>
<b>Change in net assets</b>	<b>2,526,454</b>	<b>1,464,604</b>
Net assets - beginning	9,137,102	7,672,498
Net assets - ending	\$ 11,663,556	\$ 9,137,102

SOUTH BUFFALO CHARTER SCHOOL

**Statements of Cash Flows**

For the years ended June 30,	2011	2010
<b>Operating activities:</b>		
Change in net assets	\$ 2,526,454	\$ 1,464,604
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	232,039	210,556
Changes in current operating assets and liabilities:		
Accounts and other receivables	187,280	(67,109)
Prepaid expenses	7,223	(17,517)
Accounts payable and accrued expenses	37,555	75,733
<b>Net operating activities</b>	<b>2,990,551</b>	<b>1,666,267</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(462,810)	(454,454)
Net increase in cash	2,527,741	1,211,813
Cash - beginning	6,205,326	4,993,513
Cash - ending	\$ 8,733,067	\$ 6,205,326

See accompanying notes.

**Notes to Financial Statements**

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**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 21<sup>st</sup> century. Students enrolled reside primarily in the City of Buffalo School District.

**Subsequent Events:**

Management has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through October 11, 2011, 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 sources. 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 2008.

**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:

	2011	2010
Grants	\$ 56,285	\$ 243,003
Other	16,910	17,472
	<u>\$ 73,195</u>	<u>\$ 260,475</u>

### 3. Property and Equipment:

	2011	2010
Buildings and improvements	\$ 3,767,110	\$ 3,387,377
Furniture and equipment	1,503,394	1,423,762
Construction in progress	18,000	14,555
	<u>5,288,504</u>	<u>4,825,694</u>
Less accumulated depreciation	1,622,518	1,390,479
	<u>\$ 3,665,986</u>	<u>\$ 3,435,215</u>

### 4. Retirement Plans:

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, 2011 and 2010 were \$11,426 and \$12,037.

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 on or 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 8.62% of the annual covered payroll as of June 30, 2011 and 6.19% for the year ended June 30, 2010.

The required contributions for the years ended June 30, 2011 and 2010 were \$278,822 and \$207,278.

### 5. Contingencies:

The School is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits 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, 2011 (with comparative totals for 2010)

	2011				2010	
	Regular Education	Special Education	Other Programs	Management and General	Total	Total
Salaries	\$ 2,430,522	\$ 313,875	\$ 853,097	\$ 426,549	\$ 4,024,043	\$ 4,095,647
Employee benefits and taxes	747,665	96,553	262,426	131,213	1,237,857	1,106,838
Consultants-other	-	-	-	-	-	6,388
Contracted services-other	-	135,416	-	34,705	170,121	183,899
Equipment rental	3,651	471	-	1,922	6,044	5,643
Insurance	41,971	5,420	14,732	7,366	69,489	72,312
Maintenance and repairs	30,497	3,938	10,704	5,352	50,491	49,987
Occupancy	107,748	13,914	37,819	18,909	178,390	149,028
Other expenses	24,884	-	8,734	7,580	41,198	44,662
Printing and copying	25,838	3,337	9,069	4,535	42,779	46,985
Professional fees	-	-	-	48,947	48,947	62,303
Staff development	36,001	-	12,636	10,968	59,605	64,155
Supplies and materials	133,940	2,873	-	-	136,813	106,304
Telephone	11,792	1,523	4,139	2,069	19,523	23,647
Textbooks and programs	124,498	13,872	37,227	-	175,597	218,368
Transportation	-	-	63,413	-	63,413	38,080
	3,719,007	591,192	1,313,996	700,115	6,324,310	6,274,246
Depreciation	208,905	6,961	4,618	11,555	232,039	210,556
Total	\$ 3,927,912	\$ 598,153	\$ 1,318,614	\$ 711,670	\$ 6,556,349	\$ 6,484,802

See independent auditors' report.

**Additional Information**  
**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
<b>Passed through the New York State Department of Education:</b>			
<b>Title I, Part A Cluster</b>			
Title I Grants to Local Educational Agencies	84.010	0021-11-4035	\$ 362,271
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	5021-10-4035	82,666
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	5021-11-4035	6,296
<b>Total Title I, Part A Cluster</b>			<u>451,233</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	0180-11-4035	1,225
Improving Teacher Quality State Grants	84.367	0147-11-4035	<u>49,675</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 502,133</u>

**Notes to Schedule of Expenditures of Federal Awards**

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**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 basic 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 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. The federal expenditures are recorded on an accrual basis.

**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

We have audited the financial statements of South Buffalo Charter School (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. 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.

  
October 11, 2011

**Independent Auditors' 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

**Compliance**

We have audited South Buffalo Charter School's (the School) compliance 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, 2011. 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 compliance 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, 2011.

**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 "Lunden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 11, 2011

**Schedule of Findings and Questioned Costs****For the year ended June 30, 2011**

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**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:

<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA#</u></b>	<b><u>Amount</u></b>
<b>Title I, Part A Cluster</b>		
Title I Grants to Local Educational Agencies	84.010	\$ 362,271
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	88,962
		<u>\$ 451,233</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**

**June 30, 2011**

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<b><u>Reference Number</u></b>	<b><u>Discussion</u></b>	<b><u>Cost</u></b>	<b><u>Status of Finding</u></b>
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No findings were reported and as such no corrective action plan is needed.