

**SOUTH BUFFALO CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION**

**JUNE 30, 2012**

**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, 2012 and 2011, 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 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, 2012 and 2011, 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 9, 2012 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.



October 9, 2012

SOUTH BUFFALO CHARTER SCHOOL

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**Balance Sheets**

June 30,	2012	2011
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 10,190,812	\$ 8,733,067
Grants and other receivables (Note 2)	97,547	73,195
Prepaid expenses	104,286	96,432
	<u>10,392,645</u>	<u>8,902,694</u>
Property and equipment, net (Note 3)	4,460,550	3,665,986
	<u>\$ 14,853,195</u>	<u>\$ 12,568,680</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,150,266	\$ 905,124
<b>Net assets:</b>		
Unrestricted	13,702,929	11,663,556
	<u>\$ 14,853,195</u>	<u>\$ 12,568,680</u>

# SOUTH BUFFALO CHARTER SCHOOL

## Statements of Activities

For the years ended June 30,	2012	2011
<b>Changes in unrestricted net assets:</b>		
Support and revenue:		
Public school districts:		
Revenue-resident student enrollment	\$ 7,943,019	\$ 7,978,312
Revenue-students with disabilities	422,475	567,275
Federal grants	468,812	502,133
Investment income	14,669	16,107
Other income	30,656	18,976
<b>Total unrestricted support and revenue</b>	<b>8,879,631</b>	<b>9,082,803</b>
Expenses:		
Program expenses:		
Regular education	3,963,763	3,927,912
Special education	772,598	598,153
Other programs	1,319,316	1,318,614
Total program expenses	6,055,677	5,844,679
Supporting services:		
Management and general	784,581	711,670
<b>Total expenses</b>	<b>6,840,258</b>	<b>6,556,349</b>
<b>Change in net assets</b>	<b>2,039,373</b>	<b>2,526,454</b>
Net assets - beginning	11,663,556	9,137,102
Net assets - ending	\$ 13,702,929	\$ 11,663,556

SOUTH BUFFALO CHARTER SCHOOL

**Statements of Cash Flows**

For the years ended June 30,	2012	2011
<b>Operating activities:</b>		
Change in net assets	\$ 2,039,373	\$ 2,526,454
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	233,379	232,039
Changes in current operating assets and liabilities:		
Grants and other receivables	(24,352)	187,280
Prepaid expenses	(7,854)	7,223
Accounts payable and accrued expenses	134,900	37,555
<b>Net operating activities</b>	<b>2,375,446</b>	<b>2,990,551</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(917,701)	(462,810)
<b>Net change in cash</b>	<b>1,457,745</b>	<b>2,527,741</b>
Cash - beginning	8,733,067	6,205,326
Cash - ending	\$ 10,190,812	\$ 8,733,067

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 9, 2012, 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.

#### Receivables:

Receivables 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 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 2009.

#### 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. Grants and Other Receivables:

	2012	2011
Grants	\$ 64,565	\$ 56,285
Public school districts	16,190	-
Other	16,792	16,910
	<u>\$ 97,547</u>	<u>\$ 73,195</u>

## 3. Property and Equipment:

	2012	2011
Buildings and improvements	\$ 3,785,025	\$ 3,767,110
Furniture and equipment	1,644,452	1,503,394
Construction in progress	886,970	18,000
	<u>6,316,447</u>	<u>5,288,504</u>
Less accumulated depreciation	1,855,897	1,622,518
	<u>\$ 4,460,550</u>	<u>\$ 3,665,986</u>

The School plans to use unrestricted net assets to reduce the amount of financing required on a \$25 million school expansion project expected to be completed in August 2014.

## 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, 2012 and 2011 were \$13,228 and \$11,426.

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 from the New York State Teachers' Retirement System at [www.nysttrs.org](http://www.nysttrs.org).

No employee contribution is required for those hired prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants hired on or after April 1, 2012 are required to contribute 3.5% of compensation through March 31, 2013. Beginning April 1, 2013, these participants will contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. 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 11.11% of the annual covered payroll as of June 30, 2012 and 8.62% for the year ended June 30, 2011.

The required contributions for the years ended June 30, 2012 and 2011 were \$352,777 and \$278,822.

## 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.

## 6. Cash Flows Information:

Noncash investing and financing activities excluded from the statements of cash flows include net accounts payable incurred for building additions of \$110,242 at June 30, 2012.

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

The Board of Trustees  
South Buffalo Charter School

We have audited the financial statements of South Buffalo Charter School as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 9, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 audits 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 9, 2012



SOUTH BUFFALO CHARTER SCHOOL

**Additional Information**  
**Schedule of Expenses**

For the year ended June 30, 2012 (with comparative totals for 2011)

	2012				2011	
	Regular Education	Special Education	Other Programs	Management and General	Total	Total
Salaries	\$ 2,445,838	\$ 315,853	\$ 858,473	\$ 429,236	\$ 4,049,400	\$ 4,024,043
Employee benefits and taxes	778,853	100,580	273,372	136,686	1,289,491	1,237,857
Contracted services-other	-	310,164	-	19,798	329,962	170,121
Equipment rental	4,111	531	-	2,164	6,806	6,044
Insurance	52,151	6,735	18,305	9,151	86,342	69,489
Maintenance and repairs	10,930	1,411	3,836	1,919	18,096	50,491
Occupancy	85,145	10,995	29,885	14,943	140,968	178,390
Other expenses	35,162	-	12,342	10,711	58,215	41,198
Printing and copying	21,756	2,810	7,636	3,818	36,020	42,779
Professional fees	-	-	-	124,797	124,797	48,947
Staff development	51,536	-	18,089	15,699	85,324	59,605
Supplies and materials	153,044	3,283	-	-	156,327	136,813
Telephone	22,992	2,969	8,070	4,036	38,067	19,523
Textbooks and programs	92,134	10,266	27,549	-	129,949	175,597
Transportation	-	-	57,115	-	57,115	63,413
	3,753,652	765,597	1,314,672	772,958	6,606,879	6,324,310
Depreciation	210,111	7,001	4,644	11,623	233,379	232,039
Total	\$ 3,963,763	\$ 772,598	\$ 1,319,316	\$ 784,581	\$ 6,840,258	\$ 6,556,349

**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, 2012, and have issued our report thereon dated October 9, 2012. 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**

Management of the School is responsible for establishing and maintaining effective 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 the Board of Trustees, management, 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 9, 2012