

BUFFALO CREEK ACADEMY CHARTER SCHOOL

BUFFALO, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER CONSOLIDATING FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023
(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Consolidated Statement of Financial Position	6
Consolidated Statement of Activities and Changes in Net (Deficiency) Assets	7
Consolidated Statement of Functional Expenses	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	11
<u>OTHER CONSOLIDATING FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Consolidating Financial Information	24
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities and Changes in Net (Deficiency) Assets	26
Statement of Functional Expenses – Buffalo Creek Academy Charter School	27
<u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditor's 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	29
Schedule of Findings and Responses	31

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Buffalo Creek Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Buffalo Creek Academy Charter School, which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities and changes in net (deficiency) assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Buffalo Creek Academy Charter School as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Buffalo Creek Academy Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2022 Financial Statements Restated

As discussed in Note N to the consolidated financial statements, the 2022 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Buffalo Creek Academy Charter School's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Buffalo Creek Academy Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Buffalo Creek Academy Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Buffalo Creek Academy Charter School's June 30, 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2024 on our consideration of Buffalo Creek Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buffalo Creek Academy Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
January 3, 2024

BUFFALO CREEK ACADEMY CHARTER SCHOOL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023
(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u> (As Restated)
<u>CURRENT ASSETS</u>		
Cash	\$ -	\$ 176,728
Grants and other receivables	123,937	272,722
Prepaid expenses and other current assets	-	16,000
TOTAL CURRENT ASSETS	123,937	465,450
<u>PROPERTY AND EQUIPMENT, net</u>	484,491	427,303
<u>OTHER ASSETS</u>		
Cash in escrow	50,000	50,000
Other assets	25,033	25,033
Right-of-use asset - operating	4,729,310	-
TOTAL OTHER ASSETS	4,804,343	75,033
TOTAL ASSETS	<u>\$ 5,412,771</u>	<u>\$ 967,786</u>
<u>LIABILITIES AND NET DEFICIENCY</u>		
<u>CURRENT LIABILITIES</u>		
Bank overdraft	\$ 46,119	\$ -
Current portion of long-term debt	40,740	174,422
Revolving loan	741,382	414,113
Accounts payable and accrued expenses	716,920	201,018
Accrued payroll and benefits	147,492	122,006
Accrued interest payable	30,086	24,103
Current portion of lease liability - operating	261,549	-
TOTAL CURRENT LIABILITIES	1,984,288	935,662
<u>OTHER LIABILITIES</u>		
Deferred lease liability	-	83,366
Long-term debt	44,260	-
Long-term lease liability - operating	4,597,561	-
TOTAL LIABILITIES	4,641,821	83,366
TOTAL LIABILITIES	6,626,109	1,019,028
<u>NET (DEFICIENCY) ASSETS</u>		
Without donor restrictions	(1,234,528)	(79,217)
With donor restrictions	21,190	27,975
TOTAL NET (DEFICIENCY) ASSETS	(1,213,338)	(51,242)
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	<u>\$ 5,412,771</u>	<u>\$ 967,786</u>

The accompanying notes are an integral part of the consolidated financial statements.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals For 2022)

	Year ended June 30,		
	2023		2022
	Without donor restrictions	With donor restrictions	(As Restated)
	Total	Total	Total
Revenue, gains and other support:			
Public school district:			
Resident student enrollment	\$ 2,642,604	\$ -	\$ 2,642,604
Students with disabilities	96,734	-	96,734
Grants and contracts:			
Federal - Title and IDEA	132,929	-	132,929
Federal - other	179,469	-	179,469
TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,051,736	-	3,051,736
Expenses:			
Program:			
Regular education	2,550,359	-	2,550,359
Special education	232,037	-	232,037
TOTAL PROGRAM SERVICES	2,782,396	-	2,782,396
Management and general	1,566,308	-	1,566,308
TOTAL OPERATING EXPENSES	4,348,704	-	4,348,704
DEFICIT FROM SCHOOL OPERATIONS	(1,296,968)	-	(1,296,968)
Support and other revenue:			
Contributions:			
Foundations	30,121	-	30,121
Individuals	99,751	-	99,751
Corporations	5,000	-	5,000
Net assets released from restriction	6,785	(6,785)	-
TOTAL SUPPORT AND OTHER REVENUE	141,657	(6,785)	134,872
CHANGE IN NET (DEFICIENCY) ASSETS	(1,155,311)	(6,785)	(1,162,096)
Net (deficiency) assets at beginning of year	(79,217)	27,975	(51,242)
NET (DEFICIENCY) ASSETS AT END OF YEAR	\$ (1,234,528)	\$ 21,190	\$ (1,213,338)

The accompanying notes are an integral part of the consolidated financial statements.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals For 2022)

	Year ended June 30, 2023						Year ended June 30, 2022
	No. of Positions	Program Services			Supporting Services		Total (As Restated)
		Regular Education	Special Education	Sub-total	Management and General	Total	
Personnel services costs:							
Administrative staff personnel	10	\$ 252,030	\$ 34,368	\$ 286,398	\$ 531,882	\$ 818,280	\$ 694,102
Instructional personnel	<u>18</u>	<u>867,010</u>	<u>118,228</u>	<u>985,238</u>	<u>-</u>	<u>985,238</u>	<u>653,387</u>
Total personnel services costs	28	1,119,040	152,596	1,271,636	531,882	1,803,518	1,347,489
 Fringe benefits and payroll taxes		297,804	15,674	313,478	154,399	467,877	251,193
Retirement		35,159	1,850	37,009	18,229	55,238	55,297
Legal services		-	-	-	76,695	76,695	108,179
Accounting/Audit services		-	-	-	37,025	37,025	27,000
Other Purchased/Professional/Consulting Services		43,426	2,409	45,835	414,092	459,927	315,870
Building rent		361,330	20,046	381,376	67,302	448,678	361,959
Repairs and maintenance		128,825	7,147	135,972	23,995	159,967	104,203
Insurance		70,947	3,936	74,883	13,215	88,098	48,936
Utilities		11,581	643	12,224	2,157	14,381	4,260
Supplies/Materials		159,988	8,876	168,864	58	168,922	66,915
Equipment/Furnishings		9,187	510	9,697	1,078	10,775	6,680
Staff development		18,137	1,061	19,198	10,711	29,909	61,593
Marketing/Recruitment		20,002	1,110	21,112	11,780	32,892	54,212
Technology		8,661	481	9,142	3,047	12,189	16,360
Student services		60,536	3,357	63,893	-	63,893	94,267
Office expense		27,074	1,502	28,576	85,728	114,304	81,503
Depreciation		79,262	4,397	83,659	53,487	137,146	84,233
Interest expense		63,929	3,547	67,476	43,140	110,616	22,986
Other		35,471	2,895	38,366	18,288	56,654	24,681
		<u>\$ 2,550,359</u>	<u>\$ 232,037</u>	<u>\$ 2,782,396</u>	<u>\$ 1,566,308</u>	<u>\$ 4,348,704</u>	<u>\$ 3,137,816</u>

The accompanying notes are an integral part of the consolidated financial statements.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals For 2022)

	Year ended June 30,	
	2023	2022
		(As Restated)
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net (deficiency) assets	\$ (1,162,096)	\$ (196,457)
Adjustments to reconcile change in net (deficiency) assets to net cash (used for) provided from operating activities:		
Depreciation	137,146	84,233
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	148,785	28,994
Prepaid expenses and other current assets	16,000	1,781
Other assets	-	(25,033)
Accounts payable and accrued expenses	515,902	146,671
Accrued payroll and benefits	25,486	67,353
Accrued interest payable	5,983	11,525
Deferred lease liability	(83,366)	83,366
Operating lease liability, net of right of use asset	129,800	-
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(266,360)	202,433
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(194,334)	(344,476)
NET CASH USED FOR INVESTING ACTIVITIES	(194,334)	(344,476)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(174,422)	(290,423)
Borrowings on long-term debt	85,000	-
Borrowings on revolving loan	776,500	550,000
Repayments on revolving loan	(449,231)	(135,887)
Increase in bank overdraft	46,119	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	283,966	123,690
NET DECREASE IN CASH AND RESTRICTED CASH	(176,728)	(18,353)
Cash and restricted cash at beginning of year	226,728	245,081
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 50,000	\$ 226,728

BUFFALO CREEK ACADEMY CHARTER SCHOOL
CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals For 2022)

	Year ended June 30,	
	2023	2022
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 104,633</u>	<u>\$ 11,461</u>
Reconciliation of cash reported within the consolidated statement of financial position that sum to the total amounts shown in the consolidated statement of cash flows:		
Cash	\$ -	\$ 176,728
Cash in escrow	<u>50,000</u>	<u>50,000</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 50,000</u>	<u>\$ 226,728</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Other assets transferred to property and equipment	<u>\$ -</u>	<u>\$ 18,000</u>

The accompanying notes are an integral part of the consolidated financial statements.

BUFFALO CREEK ACADEMY CHARTER SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Buffalo Creek Academy Charter School (the “BCACS”) is an educational corporation that operates as a charter school in Buffalo, New York. On January 2, 2020 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years through June 30, 2025 and renewable upon expiration. Through rigor and structure, BCACS prepares fifth through twelfth grade students to graduate from college and positively impact the community.

Friends of Buffalo Creek, Inc. (“Friends”) is a Not-for-Profit organization that operates as a separate legal entity from BCACS. Friends was formed on December 21, 2020 and began operations in September 2021 with the sole purpose of undertaking and conducting activities for charitable purposes for BCACS.

The accompanying consolidated financial statements include the accounts of BCACS and Friends (collectively referred to as the “Charter School”). For the year ended June 30, 2022 the financial activity within Friends was immaterial to the consolidated financial statements and; therefore, was not included in the consolidated financial statements for the year ended June 30, 2022.

Financial statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$21,190 and \$27,975 of net assets with donor restrictions at June 30, 2023 and 2022, respectively.

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Charter School records substantially all revenue over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public-school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances:

	June 30,		
	2023	2022	2021
Grants and other receivables	\$ 44,638	\$ -	\$ 12,087

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and other receivables in the accompanying statement of financial position. There were no revenues deferred at June 30, 2023 and 2022. The Charter School received cost-reimbursement grants of approximately \$6,111 and \$5,837 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School is required to maintain cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. As of June 30, 2023, the Charter School has funded \$50,000. As of June 30, 2023, the Charter School had only funded \$50,000 in the escrow account rather than the required \$75,000 by the third year; however the Charter School received a one year extension from its authorizer allowing the Charter School to completely fund the escrow for the end of the fourth year of operations by June 30, 2024.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 and 2022.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years. Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require “specialized skills” and would typically not be purchased if they were not contributed. In addition, the Charter School receives special education, transportation, speech, occupational therapy and food services from the local districts.

Tax exempt status

BCACS and Friends are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

BCACS and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends also files in New York State. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS and NYS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$32,900 and \$54,200 for the years ended June 30, 2023 and 2022, respectively.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for the period ended June 30, 2022

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School’s consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Leases

The Charter School leases a facility and determines if the arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying consolidated statement of financial position.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Charter School's lease agreement does not contain any material residual value guarantees or restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of new accounting standard - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 a lease liability of \$5,113,242, which represents the present value of the remaining operating lease payments of \$6,292,896 discounted using the risk-free rate of 2.88%, and the right-of-use asset of \$5,029,876 which represents the operating lease liability of \$5,113,242 adjusted for deferred lease liability of \$83,366.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The standard had a material impact on the accompanying consolidated statement of financial position, but did not have an impact on the consolidated statement of activities and changes in net assets, nor the consolidated statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through January 3, 2024, which is the date the financial statements are available to be issued. See Note D and Note E.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash	\$ -	\$ 176,728
Grants and other receivables	<u>123,937</u>	<u>272,722</u>
Total financial assets available within one year	123,937	449,450
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(21,190)</u>	<u>(27,975)</u>
Total amounts unavailable to management for general expenditures within one year	<u>(21,190)</u>	<u>(27,975)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 102,747</u>	<u>\$ 421,475</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 176,582	\$ 120,747
Equipment	5,181	5,181
Computer equipment	413,401	274,901
Vehicles	<u>135,804</u>	<u>135,804</u>
	730,968	536,633
Less accumulated depreciation	<u>246,477</u>	<u>109,330</u>
	<u>\$ 484,491</u>	<u>\$ 427,303</u>

Total depreciation expense was \$137,146 and \$84,233 for the years ended June 30, 2023 and 2022, respectively.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: REVOLVING LOAN

On January 12, 2022, the Charter School entered into an agreement with a third party for a revolving loan available through January 31, 2023. The revolving loan allows the Charter School to draw up to \$750,000. The revolving loan bears interest of 5.70% plus the prime rate (effective rate of 13.95% at June 30, 2023). At June 30, 2023 and 2022 the Charter School had an outstanding balance of \$741,382 and \$414,113 respectively. Payments are required, based on the total outstanding principal amount of the loan and accrued interest, set by the lender on a monthly basis. The note is secured by the Charter School's assets. The revolving loan is subject to reporting and financial covenants. At June 30, 2023, the Charter School was not in compliance with such covenants. The third party waived these covenants by letter dated November 9, 2023. This revolving loan agreement was amended in August 2023 and November 2023 to increase the amount available to draw up to \$1,050,000.

NOTE E: LONG TERM DEBT

In April 2020, the Charter School entered into a grid promissory note with a third party. The amount of this note as of June 30, 2022 was \$174,422 and bore interest at 2.50% per annum. The note had a maturity date of June 30, 2022 at which time all unpaid principal and accrued interest were due. On July 6, 2022, the Charter School paid off the remaining balance of the loan.

On June 21, 2023, the Charter School entered into a note payable agreement with an individual to borrow \$85,000 which bears an interest rate of 4.43%. The note payable requires monthly payments of principal and interest of \$7,362 starting January 2024 through December 2024 all remaining unpaid principal and interest will be due. Maturities of this note payable are \$40,740 for the year ended June 30, 2024, and \$44,260 for the year ending June 30, 2025.

On August 21, 2023, the Charter School entered into a note payable agreement with an individual to borrow \$75,000 which bears an interest rate of 5.07%. The note payable requires monthly payments of principal and interest of \$6,532 starting January 2024 through December 2024 all remaining unpaid principal and interest will be due. Maturities of this note payable are \$36,380 for the year ended June 30, 2024, and \$38,620 for the year ending June 30, 2025.

NOTE F: NET (DEFICIENCY) ASSETS

Net (deficiency) assets without donor restrictions consist of the following:

	June 30,	
	2023	2022
		(As Restated)
Undesignated net (deficiency) assets	\$ (1,719,019)	\$ (506,520)
Invested property and equipment	484,491	427,303
	<u>\$ (1,234,528)</u>	<u>\$ (79,217)</u>

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: NET (DEFICIENCY) ASSETS, Cont'd

Net assets with donor restrictions consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Bus campaign	\$ 690	\$ 690
Professional development	17,700	24,485
Winter tournament	2,800	2,800
	<u>\$ 21,190</u>	<u>\$ 27,975</u>

NOTE G: SCHOOL FACILITIES

In November 2020, the Charter School entered into a lease agreement with a third party to rent a facility commencing on the date the Charter School takes possession of the premises. The Charter School moved into the facility during July 2021. A security deposit of \$25,033 was paid relative to this lease. The current base monthly rent for the facility is \$33,092, and total rent expense incurred was \$443,538 and \$361,959 for the years ended June 30, 2023 and 2022, respectively. Annual payments escalate through June 2031 with the option to extend for one five-year renewal term and the option to purchase after the fifteen-year term.

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

	<u>Statement of Financial</u> <u>Position Classification</u>	
<u>Assets</u>		
Right-of-use asset - operating	Other assets	<u>\$ 4,729,310</u>
<u>Liabilities</u>		
Current portion of lease liability - operating	Current liabilities	\$ 261,549
Long-term lease liability - operating	Other liabilities	<u>4,597,561</u>
		<u>\$ 4,859,110</u>

The components of lease expense at June 30, 2023 were as follows:

Operating lease cost:	<u>\$ 443,538</u>
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BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: SCHOOL FACILITIES, Cont'd

As of June 30, 2023, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 397,104
2025	397,104
2026	397,104
2027	403,404
2028	403,404
Thereafter	<u>3,897,672</u>
Total lease payments	5,895,792
Less: Interest	<u>(1,036,682)</u>
Present value of lease liabilities	<u>\$ 4,859,110</u>

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows paid for operating leases	\$ 108,191
Weighted-average remaining lease term:	13 years
Weighted-average discount rate:	2.88%

NOTE H: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE I: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 50% and 93%, respectively, of grants and other receivables are due from the Federal government, relating to certain grants. At June 30, 2023, approximately 36% of grants and other receivables are due from New York State relating to per pupil funding. For the year ended June 30, 2023, 10% and 90% of total revenue and support came from federal government grants and per-pupil funding provided by New York State, respectively. For the year ended June 30, 2022, 34% and 64% of total revenue and support came from government grants and per-pupil funding provided by New York State, respectively. The per-pupil rate is set annually by New York State based on the school district in which the Charter School's students are located.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: RETIREMENT PLANS

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Charter School matches up to 3% of employee deferrals. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School contributed \$12,212 and \$13,319 to the Plan for the years ended June 30, 2023 and 2022 respectively.

The Charter School participates in the New York State Teachers' Retirement System (NYSTRS). This System 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.

The New York State Teachers' Retirement Board administers NYSTRS. The System 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. NYSTRS 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 NYSTRS, 10 Corporate Woods, Albany, NY 12211-2395.

The System is noncontributory for the employee. Contributions to the plan are based on employees' years of membership and contributions range from 3% to 6%. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The Charter School is required to contribute an employer contribution at an actuarially determined rate, currently 10.29% of the annual covered payroll for the fiscal year ended June 30, 2023. The rate applicable to the year ended June 30, 2022 was 9.80%. The Charter School's contributions made to the system was equal to 100% of the contributions required for each year. The required contributions were \$43,026 for the year ended June 30, 2023 and \$41,978 for the year ended June 30, 2022.

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$175,389 and \$419,333 of revenue relative to ESSER grants during the year ended June 30, 2023 and 2022, respectively.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE M: MANAGEMENT'S PLANS

At June 30, 2023, the Charter School had a deficiency in net assets without donor restrictions of \$1,234,528. Current liabilities exceeded current assets by \$1,860,351.

Like many other schools in their initial years, the Charter School is navigating the complexities of enrollment and operating costs. The Charter School has not met its enrollment goals for the year ended June 30, 2023 and continues to not meet its projected enrollment goals for the year ending June 30, 2024. This low enrollment issue has put significant pressure on the Charter School's overall financial position. Management has acted quickly and decisively to reduce operating expenses by approximately \$500,000 when it became apparent the enrollment was going to fall short of the goals. In addition, the Charter School has been working on restructuring the Charter School's debt as well as in significant negotiations with multiple sources to secure additional funds as well as managing its outstanding accounts payable balance with key vendors. There has been significant progress made with outstanding liabilities to postpone payments with vendors until revenues can increase with enrollment increases primarily in the 2024-25 academic year. The Charter School's changes to its recruitment activities have been tested in the September/October timeframe with favorable results, however, they will be implemented fully for the recruiting season for the 2024-2025 academic year. The expected increases in enrollment are projected to bring the financial well being back to the standards and begin to pay the aging accounts payable balances in 2024-25 academic year.

As a result, management believes the Charter School will continue as a going concern.

NOTE N: RESTATEMENT

The Charter School's consolidated financial statements have been restated to increase net deficiency by \$77,148 for expenses incurred in the prior year but were previously not recorded. The summary of adjustments is as follows.

	June 30, 2022		
	Previously Reported	Restatement Adjustments	As Restated
Accounts payable and accrued expenses	\$ 165,848	\$ 35,170	\$ 201,018
Accrued payroll and benefits	80,028	41,978	122,006
Total current liabilities	858,514	77,148	935,662
Net (deficiency) assets	25,906	(77,148)	(51,242)

BUFFALO CREEK ACADEMY CHARTER SCHOOL

OTHER CONSOLIDATING FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Buffalo Creek Academy Charter School

We have audited the consolidated financial statements of Buffalo Creek Academy Charter School as of and for the year ended June 30, 2023, and have issued our report thereon dated January 3, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements for the year ended June 30, 2023.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
January 3, 2024

BUFFALO CREEK ACADEMY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

<u>ASSETS</u>	Buffalo Creek Academy Charter School	Friends of Buffalo Creek Academy Charter School	Pre- Consolidated Total	Eliminations	Total
<u>CURRENT ASSETS</u>					
Grants and other receivables	\$ 123,937	\$ -	\$ 123,937	\$ -	\$ 123,937
TOTAL CURRENT ASSETS	123,937	-	123,937	-	123,937
<u>PROPERTY AND EQUIPMENT, net</u>	414,408	70,083	484,491	-	484,491
<u>OTHER ASSETS</u>					
Cash in escrow	50,000	-	50,000	-	50,000
Other assets	25,033	-	25,033	-	25,033
Right-of-use asset - operating	4,729,310	-	4,729,310	-	4,729,310
TOTAL ASSETS	<u>\$ 5,342,688</u>	<u>\$ 70,083</u>	<u>\$ 5,412,771</u>	<u>\$ -</u>	<u>\$ 5,412,771</u>
<u>LIABILITIES AND NET (DEFICIENCY) ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Bank overdraft	\$ 45,895	\$ 224	\$ 46,119	\$ -	\$ 46,119
Current portion of long-term debt	-	40,740	40,740	-	40,740
Revolving Loan	741,382	-	741,382	-	741,382
Accounts payable and accrued expenses	692,858	24,062	716,920	-	716,920
Accrued payroll and benefits	147,492	-	147,492	-	147,492
Accrued interest payable	30,086	-	30,086	-	30,086
Current portion of lease liability - operating	261,549	-	261,549	-	261,549
TOTAL CURRENT LIABILITIES	1,919,262	65,026	1,984,288	-	1,984,288
<u>OTHER LIABILITIES</u>					
Long-term debt	-	44,260	44,260	-	44,260
Long-term lease liability - operating	4,597,561	-	4,597,561	-	4,597,561
	4,597,561	44,260	4,641,821	-	4,641,821
TOTAL LIABILITIES	6,516,823	109,286	6,626,109	-	6,626,109
<u>NET (DEFICIENCY) ASSETS</u>					
Without donor restrictions	(1,195,325)	(39,203)	(1,234,528)	-	(1,234,528)
With donor restrictions	21,190	-	21,190	-	21,190
TOTAL NET (DEFICIENCY) ASSETS	<u>(1,174,135)</u>	<u>(39,203)</u>	<u>(1,213,338)</u>	<u>-</u>	<u>(1,213,338)</u>
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	<u>\$ 5,342,688</u>	<u>\$ 70,083</u>	<u>\$ 5,412,771</u>	<u>\$ -</u>	<u>\$ 5,412,771</u>

BUFFALO CREEK ACADEMY CHARTER SCHOOL

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS

YEAR ENDED JUNE 30, 2023

	Buffalo Creek Academy Charter School	Friends of Buffalo Creek Academy Charter School	Pre- Consolidated Total	Eliminations	Consolidated Total
Revenue, gains and other support:					
Public school district:					
Resident student enrollment	\$ 2,642,604	\$ -	\$ 2,642,604	\$ -	\$ 2,642,604
Students with disabilities	96,734	-	96,734	-	96,734
Grants and contracts:			-		
Federal - Title and IDEA	132,929	-	132,929	-	132,929
Federal - other	179,469	-	179,469	-	179,469
TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,051,736	-	3,051,736	-	3,051,736
			-		
Expenses:			-		
Program:			-		
Regular education	2,487,146	63,213	2,550,359	-	2,550,359
Special education	227,604	4,433	232,037	-	232,037
TOTAL PROGRAM SERVICES	2,714,750	67,646	2,782,396	-	2,782,396
Management and general	1,619,423	118,736	1,738,159	(171,851)	1,566,308
TOTAL OPERATING EXPENSES	4,334,173	186,382	4,520,555	(171,851)	4,348,704
			-		
DEFICIT FROM SCHOOL OPERATIONS	(1,282,437)	(186,382)	(1,468,819)	171,851	(1,296,968)
			-		
Support and other revenue:			-		
Contributions:			-		
Foundations	150,121	51,851	201,972	(171,851)	30,121
Individuals	4,423	95,328	99,751	-	99,751
Corporations	5,000	-	5,000	-	5,000
TOTAL SUPPORT AND OTHER REVENUE	159,544	147,179	306,723	(171,851)	134,872
			-		
CHANGE IN NET (DEFICIENCY) ASSETS	(1,122,893)	(39,203)	(1,162,096)	-	(1,162,096)
			-		
Net (deficiency) assets at beginning of year	(51,242)	-	(51,242)	-	(51,242)
NET (DEFICIENCY) ASSETS AT END OF YEAR	<u>\$ (1,174,135)</u>	<u>\$ (39,203)</u>	<u>\$ (1,213,338)</u>	<u>\$ -</u>	<u>\$ (1,213,338)</u>

BUFFALO CREEK ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES – BUFFALO CREEK ACADEMY CHARTER SCHOOL

YEAR ENDED JUNE 30, 2023

	No. of Positions	Year ended June 30, 2023				
		Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and General	
Personnel services costs:						
Administrative staff personnel	10	\$ 252,030	\$ 34,368	\$ 286,398	\$ 531,882	\$ 818,280
Instructional personnel	<u>18</u>	<u>867,010</u>	<u>118,228</u>	<u>985,238</u>	<u>-</u>	<u>985,238</u>
Total personnel services costs	28	1,119,040	152,596	1,271,636	531,882	1,803,518
Fringe benefits and payroll taxes		297,804	15,674	313,478	154,399	467,877
Retirement		35,159	1,850	37,009	18,229	55,238
Legal services		-	-	-	70,253	70,253
Accounting/Audit services		-	-	-	37,025	37,025
Other Purchased/Professional/Consulting Services		42,739	2,371	45,110	405,987	451,097
Building rent		361,330	20,046	381,376	67,302	448,678
Repairs and maintenance		127,649	7,082	134,731	23,776	158,507
Insurance		64,357	3,570	67,927	11,988	79,915
Utilities		11,581	643	12,224	2,157	14,381
Supplies/Materials		133,830	7,425	141,255	-	141,255
Equipment/Furnishings		7,909	439	8,348	927	9,275
Staff development		18,137	1,061	19,198	10,711	29,909
Marketing/Recruitment		20,002	1,110	21,112	11,780	32,892
Technology		7,638	424	8,062	2,687	10,749
Student services		58,136	3,224	61,360	-	61,360
Office expense		24,386	1,353	25,739	77,218	102,957
Depreciation		69,952	3,881	73,833	47,204	121,037
Grant expense		-	-	-	86,851	86,851
Interest expense		63,929	3,547	67,476	43,140	110,616
Other		<u>23,568</u>	<u>1,308</u>	<u>24,876</u>	<u>15,907</u>	<u>40,783</u>
		<u>\$ 2,487,146</u>	<u>\$ 227,604</u>	<u>\$ 2,714,750</u>	<u>\$ 1,619,423</u>	<u>\$ 4,334,173</u>

BUFFALO CREEK ACADEMY CHARTER SCHOOL
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Buffalo Creek Academy Charter School

We have audited, 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, the consolidated financial statements of Buffalo Creek Academy Charter School, which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities and changes in net (deficiency) assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated January 3, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Buffalo Creek Academy Charter School's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buffalo Creek Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Creek Academy Charter School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buffalo Creek Academy Charter School's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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*.

We noted certain matters that we have reported to management of Buffalo Creek Academy Charter School in a separate letter dated January 3, 2024.

Buffalo Creek Academy Charter School's Response to Findings

Buffalo Creek Academy Charter School's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. Buffalo Creek Academy Charter School's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
January 3, 2024

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2023

Finding 2023-001

Statement of condition

During our audit, we noted there were several significant auditor adjustments required to be recorded affecting grants and other receivables, accounts payable and accrued expenses, net assets, revenues and expenses. We consider this to be a material weakness in internal control over financial reporting.

Criteria and effect of conditions

In the prior year, an entry had been recorded to post an account payable and related expense that was then improperly recorded again in fiscal year 2023. Accrued interest expense on the revolving loan was required to be recorded. An entry to reverse unbilled per pupil revenue was required. There were two invoices received subsequent to year end that were not accrued for at June 30, 2023. The net impact of these adjustments were material to the consolidated financial statements. The Charter School also recorded multiple expenses relating to the prior fiscal year in the current fiscal year, which required restatement of the prior year amounts.

Recommendation

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements.

Management response

Management agrees with the adjustments and will ensure all accounts are properly reconciled prior to closing the fiscal year.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2023

Finding 2023-002

Statement of condition

During our audit, we noted the per pupil final reconciliation for Buffalo Public School District for the year ended June 30, 2023 was not completed and submitted correctly and timely.

Criteria and effect of conditions

During our audit, we noted the per pupil final reconciliation for Buffalo Public School District for the year ended June 30, 2023 had not been properly submitted by the required deadline. When Buffalo Public School District received the final reconciliation after the deadline, it was noted there were errors and the District requested the Charter School to revise the reconciliation. Since the Buffalo Public School District had not received the revised final reconciliation in a timely manner, the District reconciled the final invoice based on past student data and provided the final reconciliation to the Charter School.

Recommendation

In order to ensure that per pupil revenues are properly recorded, we recommend the Charter School establish a more effective and efficient reconciliation process for the per pupil funding for each district. Based on communication with the Buffalo Public School District, the District has tried to work with the Charter School in educating how the invoicing and reconciliation is to be done, however errors continue to occur in the submissions. The Charter School should work to properly train all those involved in the invoicing/submission process to ensure the data is proper and accurate. The Charter School's revenues could be materially misstated without a proper reconciliation and review process along with a timely submission.

Management response

While Buffalo Creek Academy (BCA) worked with Buffalo Public Schools (BPS) through continuous interactions from July to November which included excel formats with errors in cell calculations and changes in BPS personnel that provided many challenges, management agrees with the recommendation. BCA has started this process by interacting on a consulting basis with an expert for 18 years in this area. BCA expects to dramatically reduce or eliminate discrepancies and assure accurate enrollment reporting and revenue reconciliation prior to closing the fiscal year.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES, Cont'd

YEAR ENDED JUNE 30, 2023

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2022-001

Statement of condition

During our audit, we noted there were several significant or material auditor adjustments required to be recorded affecting grants and other receivables, accounts payable and accrued expenses, accrued payroll and benefits, net assets, revenues and expenses. We consider this to be a material weakness in internal control over financial reporting.

Criteria and effect of conditions

There were two invoices relating to fiscal year 2022 that were not properly recorded as payables at June 30, 2022. We noted that no accrual was recorded for June 2022 payroll that was not paid out until July 2022. We noted an entry was required to adjust rent expense to actual. Two prior year entries had not been recorded and an entry was required to have net assets properly roll forward. An entry to adjust accrued payroll that was made in the prior year was not properly reversed in the current year resulting in an entry. The net impact of these adjustments were material to the consolidated financial statements.

Recommendation

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements.

Management response

Management agrees with the adjustments and will ensure all accounts are properly reconciled prior to closing the fiscal year.

Current Status

See finding 2023-001.

BUFFALO CREEK ACADEMY CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

January 3, 2024

Board of Trustees
Buffalo Creek Academy Charter School

We have audited the consolidated financial statements of Buffalo Creek Academy Charter School as of and for the year ended June 30, 2023 and have issued our report thereon dated January 3, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 26, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Buffalo Creek Academy Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding material weaknesses noted during our audit in a separate letter to you dated January 3, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced CEO and outsourced finance team who review the draft financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- Management override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Misappropriation of assets
- Improper implementation of ASC 842 – Leases

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of risk does not mean that it has occurred, but rather it has the potential to impact the consolidated financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Buffalo Creek Academy Charter School is included in Note A to the financial statements. As described in Note A to the consolidated financial statements, during the year the Charter School adopted new guidance for leases (ASC 842). No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the consolidated financial statements are the allocation of operating expenses for the statement of functional expenses and the collectability of grants and other receivables. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic consolidated financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Buffalo Creek Academy Charter School's consolidated financial statements relate to revenue and support recognition and lease commitments, which is referred to in the notes of the financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

Although we ultimately received full cooperation of management and believe that we were given direct and unrestricted access to Buffalo Creek Academy Charter School's management and financial consultants, we experienced significant delays in the performance of the audit as not all requested information was available during scheduled fieldwork. It is important to the efficiency and cost of the audit process to have substantially all requested documents available at the commencement of fieldwork. Receiving the requested information towards the end of fieldwork or post fieldwork was the direct cause of gaining an extension from the Charter authorizer, and added significant time and expense to complete the audit. This also required rescheduling members of the engagement team for hours in excess of the original budgeted hours.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all significant, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following schedule details significant misstatements that we identified as a result of our audit procedures and were brought to the attention of and corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Buffalo Creek Academy Charter School's consolidated financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Buffalo Creek Academy Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Buffalo Creek Academy Charter School's auditors.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Kurt Button will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and Management of Buffalo Creek Academy Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

BUFFALO CREEK ACADEMY CHARTER SCHOOL

SUMMARY OF SIGNIFICANT CORRECTED MISSTATEMENTS

YEAR ENDED JUNE 30, 2023

Reference No.	Description	Assets Increase (Decrease)	Liabilities Increase (Decrease)	Net Assets Increase (Decrease)	Revenue (Expense)
1	To properly accrue for interest expense on revolving loan	\$ -	\$ 23,181	\$ -	\$ (23,181)
2	To reverse per pupil funding not invoiced	(14,066)	-	-	(14,066)
3	To record current year expenses that were not properly accrued for at 6/30/2023	-	21,834	-	(21,834)
4	To record 2023 expense and related accrual for NYSTRS contributions	-	43,026	-	(43,026)
5	To remove prior period expenses recorded in current year and restate prior year net assets	-	-	(77,148)	77,148

BUFFALO CREEK ACADEMY CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2023





BUSINESS
ADVISORS
AND CPAS

January 3, 2024

To the Board of Trustees and Management
Buffalo Creek Academy Charter School

In planning and performing our audit of the consolidated financial statements of Buffalo Creek Academy Charter School (the “Charter School”) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the entity’s internal control to be material weaknesses:

Per Pupil Reconciliation

During our audit, we noted the per pupil final reconciliation for Buffalo Public School District for the year ended June 30, 2023 had not been properly submitted by the required deadline. When Buffalo Public School District received the final reconciliation after the deadline, it was noted there were errors and the District requested the Charter School to revise the reconciliation. Since the Buffalo Public School District had not received the revised final reconciliation in a timely manner, the District reconciled the final invoice based on past student data and provided the final reconciliation to the Charter School.

Recommendation

In order to ensure that per pupil revenues are properly recorded, we recommend the Charter School establish a more effective and efficient reconciliation process for the per pupil funding for each district. Based on communication with the Buffalo Public School District, the District has tried to work with the Charter School in educating how the invoicing and reconciliation is to be done, however errors continue to occur in the submissions. The Charter School should work to properly train all those involved in the invoicing/submission process to ensure the data is proper and accurate. The Charter School's revenues could be materially misstated without a proper reconciliation and review process along with a timely submission.

Status of matters included in our letter as of June 30, 2022, dated November 29, 2022.

Material Auditor Adjustments

During our audit, we noted there were several significant or material auditor adjustments required to be recorded affecting grants and other receivables, accounts payable and accrued expenses, accrued payroll and benefits, net assets, revenues and expenses.

Recommendation

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements.

Status at June 30, 2023

During our audit, we noted that there were several significant auditor adjustments required to be recorded affecting grants and other receivables, accounts payable and accrued expenses, net assets, revenues and expenses. In addition to these significant auditor adjustments, we noted there were prior fiscal year expenses recorded in the current fiscal year. This required the prior fiscal year amounts to be restated to properly record the expenses and related payables and accruals on the consolidated financial statements.

* * * * *

This communication is intended solely for the information and use of the Board of Trustees, the Finance Committee and Management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

Buffalo Creek Academy Charter School
528 South Park Ave
Buffalo, NY 14204

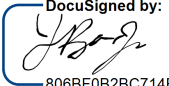


To: SUNY Charter School Institute
From: Buffalo Creek Academy Board of Trustees
Subject: Response to Annual Audit Finding dated June 30, 2023.

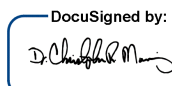
At the conclusion of our annual audit, the Buffalo Creek Academy Board of Trustees (The Board) received a briefing along with a detailed narrative from our third-party auditing firm MMB. The audit team found two material weaknesses within financial management processes of Buffalo Creek Academy (BCA), which included our per-pupil reconciliation process and the amount of material adjustments required. We take these observations very serious and understand that it is our fiduciary duty to ensure that they do not occur again.

The Board agrees with the adjustments and will ensure all accounts are properly reconciled prior to closing the fiscal year. While (BCA) worked with Buffalo Public Schools (BPS) through continuous interactions from July to November which included excel formats with errors in cell calculations and changes in BPS personnel that provided many challenges, The Board agrees with the recommendations made by our auditor, MMB. BCA staff has enlisted the services of an expert consultant with 18 years experience in the area of Charter School Financial Management. Further, BCA expects to dramatically reduce or eliminate discrepancies and assure accurate enrollment reporting and revenue reconciliation prior to closing the fiscal year.

Finally, the board has recruited a seasoned financial expert onto our finance committee, and the CEO has restructured the BCA staff responsible for internal financial controls. We believe that by partnering with our consultant, overseeing and tracking positive changes in our internal policy and processes, capitalizing on our recent board development, and by holding staff accountable, that our financial audits in the future will produce much improved results and these findings will not be repeated.

DocuSigned by:

806BF0B2BC714F6...
Jessica Smith-Jordan, Esq.
Board Chair

1/16/2024

DocuSigned by:

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Dr. Christopher R. Manning
CEO

1/16/2024

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William Oliver
Board Treasurer

1/16/2024

DocuSigned by:

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Peter Derrico
Board Finance Committee Member

1/16/2024