

**BRICK BUFFALO ACADEMY CHARTER SCHOOL**

**BUFFALO, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2024**



BUSINESS  
ADVISORS  
AND CPAS

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BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
BRICK Buffalo Academy Charter School

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of BRICK Buffalo Academy Charter School, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from January 3, 2023 (date of inception) to June 30, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BRICK Buffalo Academy Charter School as of June 30, 2024, and the changes in its net assets and its cash flows for the period from January 3, 2023 (date of inception) to June 30, 2024 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 BRICK Buffalo 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BRICK Buffalo Academy Charter School's ability to continue as a going concern for one year after the date that the 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 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 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 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 BRICK Buffalo 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BRICK Buffalo 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of BRICK Buffalo Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering BRICK Buffalo Academy Charter School's internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 30, 2024

BRICK BUFFALO ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 18,281
Grants and other receivables	418,723
Prepaid expenses	1,446
Due from Charter Management Organization	<u>106,758</u>
TOTAL CURRENT ASSETS	545,208

<u>PROPERTY AND EQUIPMENT, net</u>	992,348
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OTHER ASSETS

Deposit	2,290
Right-of-use-asset - finance	13,509
Right-of-use-asset - operating	<u>951,979</u>
	<u>967,778</u>
TOTAL ASSETS	<u><u>\$ 2,505,334</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 645,193
Due to Charter Management Organization	632,576
Due to related party	29,679
Accrued payroll and benefits	13,673
Current portion of lease liability - finance	3,145
Current portion of lease liability - operating	<u>164,525</u>
TOTAL CURRENT LIABILITIES	1,488,791

OTHER LIABILITIES

Long-term lease liability - finance	10,635
Long-term lease liability - operating	<u>912,478</u>
	<u>923,113</u>
TOTAL LIABILITIES	2,411,904

NET ASSETS

Without donor restrictions	<u>93,430</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,505,334</u></u>

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

BRICK BUFFALO ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

Revenue, gains, and other support:

Public school district	
Resident student enrollment	\$ 685,710
Students with disabilities	33,643
Grants and contracts	
Federal - Title and IDEA	36,028
Federal - Other	<u>1,250,002</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	2,005,383

Expenses:

Program services:	
Regular education	1,580,093
Special education	<u>224,816</u>
TOTAL PROGRAM SERVICES	1,804,909
Management and general	<u>507,044</u>
TOTAL OPERATING EXPENSES	<u>2,311,953</u>

DEFICIT FROM SCHOOL OPERATIONS (306,570)

Support and other revenue:

Contributions	
Corporations	<u>400,000</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>400,000</u>

CHANGE IN NET ASSETS 93,430

Net assets at beginning of period

NET ASSETS AT END OF YEAR	<u><u>\$ 93,430</u></u>
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The accompanying notes are an integral part of the financial statements.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

		<u>Program Services</u>			<u>Supporting Services Management and general</u>	
	<u>Number of positions</u>	<u>Regular Education</u>	<u>Special Education</u>	<u>Sub-total</u>		<u>Total</u>
Personnel services costs:						
Administrative staff personnel	5	\$ 204,567	\$ 53,560	\$ 258,127	\$ 172,080	\$ 430,207
Instructional personnel	9	392,713	29,005	421,718	-	421,718
 TOTAL PERSONNEL SERVICES COST	14	597,280	82,565	679,845	172,080	851,925
 Fringe benefits & payroll taxes		138,041	19,082	157,123	39,770	196,893
Legal services		-	-	-	8,102	8,102
Accounting / audit services		-	-	-	65,500	65,500
Other purchased / professional / consulting services		195,744	27,058	222,802	56,395	279,197
Building and land rent		251,829	34,812	286,641	72,554	359,195
Repairs and maintenance		20,823	2,878	23,701	5,999	29,700
Insurance		11,150	1,541	12,691	3,212	15,903
Utilities		16,801	2,323	19,124	4,841	23,965
Supplies / materials		69,061	15,383	84,444	-	84,444
Equipment and furnishings		17,750	2,454	20,204	5,114	25,318
Staff development		2,986	413	3,399	861	4,260
Marketing / recruitment		93,900	12,980	106,880	27,053	133,933
Technology		18,592	2,570	21,162	5,357	26,519
Student services		6,579	1,465	8,044	-	8,044
Office expense		48,623	6,722	55,345	14,009	69,354
Depreciation and amortization		82,544	11,411	93,955	23,781	117,736
Other		8,390	1,159	9,549	2,416	11,965
		<u>\$ 1,580,093</u>	<u>\$ 224,816</u>	<u>\$ 1,804,909</u>	<u>\$ 507,044</u>	<u>\$ 2,311,953</u>

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

BRICK BUFFALO ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 93,430
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	117,736
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(418,723)
Due from Charter Management Organization	(106,758)
Prepaid expenses	(1,446)
Accounts payable and accrued expenses	269,980
Due to related party	29,679
Due to Charter Management Organization	632,576
Accrued payroll and benefits	13,673
Deposit	(2,290)
Operating lease liability, net of right-of-use asset	<u>125,024</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	752,881

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(731,838)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(731,838)

CASH FLOWS - FINANCING ACTIVITIES

Repayments on finance lease	<u>(2,762)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(2,762)</u>

NET INCREASE IN CASH 18,281

Cash at beginning of period	<u>-</u>
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CASH AT END OF YEAR \$ 18,281



BRICK BUFFALO ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 630</u>
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NON-CASH OPERATING, INVESTING AND FINANCE ACTIVITIES

Purchases of property and equipment included in accounts payable and accrued expenses	<u>\$ 375,213</u>
Right-of-use asset obtained in exchange for new operating lease liability	<u>\$ 1,209,102</u>
Right-of-use asset obtained in exchange for new finance lease liability	<u>\$ 16,542</u>

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

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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

The Charter School

BRICK Buffalo Academy Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Buffalo, New York. On January 3, 2023, 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, 2028 and renewable upon expiration.

The Charter School seeks to graduate a community of learners who will contribute positively to the global society and embrace their role as architects in building a just and better world. The Charter School provides a rigorous, inclusive and culturally responsive curriculum that challenges students academically and builds their social emotional competencies.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

*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 no net assets with donor restrictions at June 30, 2024.

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. The Charter School’s State and local per pupil operating revenue qualifies as exchange transactions and the revenues are recognized over time.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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

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

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil 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 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 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 at June 30, 2024:

Grants and other receivables	\$ 29,778
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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 to net assets as net assets released from restrictions.

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 receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There were no revenues deferred at June 30, 2024.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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

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. The Charter School has not funded its escrow account as of the report date. The Charter School intends to fund the escrow account prior to November 30, 2024.

Grants and other receivables

At each fiscal year end, the Charter School evaluates the need for an expected allowance for credit losses for all outstanding balances that fall under ASU 2014-09. As necessary, the allowance for credit losses is updated at fiscal year-end to reflect any changes in credit risk since the receivable was initially recorded. The allowance for credit losses is calculated on a pooled basis where similar risk characteristics exist.

The Charter School uses historical loss data as a starting point to estimate expected credit losses, given consistent revenue sources since its inception. There were no write-offs for the year ended June 30, 2024.

Due to related party

The Charter School has an amount due to another organization that is in the same network. Services are shared and the Charter School reimburses the related party for these expenses. The amount due to the related party was \$29,679 at June 30, 2024.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to eight years. Leasehold improvements are being amortized over the lesser of their useful life or remaining term of the lease. 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.

Contributed services

The Charter School receives contributed services from volunteers 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 received transportation services, speech, occupational therapy, and food services from the local district.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$133,900 for the period from January 3, 2023 (date of inception) to June 30, 2024.

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.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files tax returns in various jurisdictions and is subject to potential examination by taxing authorities. The Charter School's current tax return remains subject to review by taxing authorities. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Leases

The Charter School leases its school facility and equipment and determines if an 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 statement of financial position. Finance leases are included in finance right-of-use asset, current liabilities, and other liabilities on the accompanying statement of financial position.

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 most of the leases do not provide an implicit rate, the Charter School uses 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 operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization expense and interest expense.

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

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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

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.

The Charter School has elected to apply the short-term lease exemption to one of the classes of underlying assets: school facility. During the period from January 3, 2023 (date of inception) to June 30, 2024, the Charter School had two leases within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized during the period from January 3, 2023 (date of inception) to June 30, 2024 was approximately \$34,200.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adoption of new accounting pronouncement – current expected credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Charter School that are subject to the guidance in FASB ASC 326 were receivables.

The Charter School adopted the standard effective July 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2024, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

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 and grants and other receivables 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 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.

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, 2024:

Cash	\$ 18,281
Grants and other receivables	418,723
Due from Charter Management Organization	<u>106,758</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 543,762</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024:

Furniture and fixtures	\$ 30,445
Computers and equipment	75,466
Leasehold improvements	<u>1,001,140</u>
	1,107,051
Less accumulated depreciation and amortization	<u>(114,703)</u>
	<u>\$ 992,348</u>

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

NOTE D: LEASES

In March 2023, the Charter School entered into an operating lease for its facility. The lease has an effective date of April 1, 2023 and is set to expire on June 30, 2028. There are two consecutive options to renew the terms of the five-year lease. The monthly base rent beginning April 1, 2023, was \$16,667 and will escalate annually in accordance with the lease agreement. In August 2023, the Charter School entered into a financing lease for equipment with monthly rental payments of \$308 through July 31, 2028. On August 15, 2023, the Charter School entered into a lease for temporary space through November 30, 2023 with monthly payments of \$5,990. Total rent expense incurred from January 3, 2023 (date of inception) to June 30, 2024 was \$359,195.

A summary of the lease right-of-use assets and liabilities at June 30, 2024 is as follows:

	<u>Statement of Financial Position Classification</u>	
<u>Assets</u>		
Right-of-use asset - finance	Other assets	\$ 13,509
Right-of-use asset - operating	Other assets	951,979
		<u>\$ 965,488</u>
 <u>Liabilities</u>		
Current portion of lease liability - finance	Current liabilities	\$ 3,145
Current portion of lease liability - operating	Current liabilities	164,525
Long-term lease liability - finance	Other liabilities	10,635
Long-term lease liability - operating	Other liabilities	912,478
		<u>\$ 1,090,783</u>

The components of lease expense for the period from January 3, 2023 (date of inception) through June 30, 2024, were as follows:

Finance lease cost:		
Amortization of right-of-use asset		\$ 3,033
Interest on lease liability		<u>630</u>
	Total finance lease costs	3,663
Operating lease cost:		
Operating lease cost		325,024
Short-term lease cost		<u>34,171</u>
	Total operating lease costs	<u>359,195</u>
	Total lease cost	<u>\$ 362,858</u>



BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

NOTE D: LEASES, Cont'd

As of June 30, 2024 minimum payments due for the lease liabilities for the next five fiscal years are as follows:

<u>Year ending June 30,</u>	<u>Finance leases</u>	<u>Operating leases</u>	<u>Total</u>
2025	\$ 3,700	\$ 200,000	\$ 203,700
2026	3,700	250,000	253,700
2027	3,700	355,000	358,700
2028	3,700	360,100	363,800
2029	<u>308</u>	<u>-</u>	<u>308</u>
Total lease payments	15,108	1,165,100	1,180,208
Less: Interest	<u>(1,328)</u>	<u>(88,097)</u>	<u>(89,425)</u>
Present value of lease liabilities	<u>\$ 13,780</u>	<u>\$ 1,077,003</u>	<u>\$ 1,090,783</u>

Supplemental information for the period from January 3, 2023 (date of inception) through June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for finance lease	\$ 630
Financing cash flows paid for finance lease	\$ 2,762
Operating cash flows paid for operating leases	\$ 183,333

Right-of-use assets obtained in exchange for new lease liabilities  
(non-cash):

Finance lease	\$ 16,542
Operating lease	\$ 1,209,102

Weighted-average remaining lease term:

Finance lease	4.08 years
Operating lease	4.00 years

Weighted-average discount rate:

Finance lease	4.49%
Operating lease	3.60%

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

NOTE E: CHARTER MANAGEMENT ORGANIZATION

In May 2023, the Charter School entered into an educational service agreement with a charter management organization, Building Responsible Intelligent Creative Kids (“BRICK”), to provide expertise necessary to effectively provide essential programming and services to the Charter School. The agreement is set to expire on June 30, 2028. The management fee is 8% of gross revenues monthly for the first year and 10% of gross revenues monthly for years 2 through 5 of the agreement. This fee has been waived by BRICK for the period from January 3, 2023 (date of inception) to June 30, 2024.

At June 30, 2024, \$632,576 is due to BRICK for various other expenses for which the Charter School will reimburse BRICK. Further, BRICK granted the Charter School \$400,000 during the period ended June 30, 2024. \$106,758 is due from BRICK at June 30, 2024 relative to this grant.

NOTE F: 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 G: CONCENTRATIONS

At June 30, 2024, approximately 74% of grants and other receivables are due from New York State relating to certain grants.

For the period from January 3, 2023 (date of inception) to June 30, 2024, approximately 36% of total operating revenue and support came from per-pupil funding provided by the New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School’s students are located.

NOTE H: 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.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

PERIOD FROM JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2024

NOTE I: NET ASSETS

Net assets without donor restrictions are as follows at June 30, 2024:

Without donor restrictions

Undesignated	\$ (898,918)
Invested in property and equipment	<u>992,348</u>
	<u>\$ 93,430</u>

NOTE J: RETIREMENT PLAN

Effective October 1, 2023, the Charter School began sponsoring a 401(k) retirement plan (the "Plan") for its employees. The Charter School has a discretionary match, and for the period from January 3, 2023 (date of inception) to June 30, 2024 the Charter School did not make a matching contribution.

**BRICK BUFFALO ACADEMY CHARTER SCHOOL**

**OTHER FINANCIAL INFORMATION**



BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
BRICK Buffalo Academy Charter School

We have audited the financial statements of BRICK Buffalo Academy Charter School as of June 30, 2024 and for the period from January 3, 2023 (date of inception) to June 30, 2024, and have issued our report thereon dated October 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 30, 2024

BRICK BUFFALO ACADEMY CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2024 AND THE PERIOD FROM  
JANUARY 3, 2023 (DATE OF INCEPTION) TO JUNE 30, 2023

	Year ended June 30, 2024	Period from January 3, 2023 (date of inception) to June 30, 2023	Total
Revenue, gains, and other support:			
Public school district			
Resident student enrollment	\$ 685,710	\$ -	\$ 685,710
Students with disabilities	33,643	-	33,643
Grants and contracts			
Federal - Title and IDEA	36,028	-	36,028
Federal - Other	759,941	490,061	1,250,002
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,515,322	490,061	2,005,383
Personnel services costs:			
Administrative staff personnel	385,696	44,511	430,207
Instructional personnel	372,688	49,030	421,718
Total personnel services costs	758,384	93,541	851,925
Fringe benefits & payroll taxes	176,196	20,697	196,893
Legal services	8,102	-	8,102
Accounting / audit services	35,500	30,000	65,500
Other purchased / professional / consulting services	58,578	220,619	279,197
Building and land rent	281,389	77,806	359,195
Repairs and maintenance	29,057	643	29,700
Insurance	15,903	-	15,903
Utilities	23,965	-	23,965
Supplies / materials	84,444	-	84,444
Equipment and furnishings	25,318	-	25,318
Staff development	1,530	2,730	4,260
Marketing / recruitment	62,740	71,193	133,933
Technology	26,519	-	26,519
Student services	8,044	-	8,044
Office expense	63,119	6,235	69,354
Depreciation and amortization	117,736	-	117,736
Other	11,965	-	11,965
TOTAL OPERATING EXPENSES	1,788,489	523,464	2,311,953
DEFICIT FROM SCHOOL OPERATIONS	(273,167)	(33,403)	(306,570)
Support and other revenue:			
Contributions			
Corporations	400,000	-	400,000
TOTAL SUPPORT AND OTHER REVENUE	400,000	-	400,000
CHANGE IN NET ASSETS	\$ 126,833	\$ (33,403)	\$ 93,430

**BRICK BUFFALO ACADEMY CHARTER SCHOOL**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2024**





BUSINESS  
ADVISORS  
AND CPAS

October 30, 2024

The Finance Committee  
BRICK Buffalo Academy Charter School

We have audited the financial statements of BRICK Buffalo Academy Charter School for the period from January 3, 2023 (date of inception) to June 30, 2024, and have issued our report thereon dated October 30, 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 July 8, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the 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 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 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 Charter School's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of BRICK Buffalo 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.

### **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 Director of Finance 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 risk:

- Management Override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Functional expense allocation
- Misappropriation of assets

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the 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 BRICK Buffalo Academy Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the period from January 3, 2023 (date of inception) to June 30, 2024, the Charter School adopted new guidance regarding current expected credit losses (ASC 326). 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 and Related Disclosures*

Accounting estimates and related disclosures 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 financial statements is the allocations of cost for the statement of functional expense and 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 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 BRICK Buffalo Academy Charter School's financial statements relate to revenue and support recognition and lease commitments, which is referred to in the notes of the financial statements.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **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, none of which were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **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 BRICK Buffalo Academy Charter School's 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 BRICK Buffalo Academy Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as BRICK Buffalo Academy Charter School's auditors.

## **Other Matters**

With respect to the supplementary information accompanying the 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, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the 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 BRICK Buffalo 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

**BRICK BUFFALO ACADEMY CHARTER SCHOOL**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2024**





BUSINESS  
ADVISORS  
AND CPAS

October 30, 2024

The Finance Committee  
BRICK Buffalo Academy Charter School

We have audited the financial statements of BRICK Buffalo Academy Charter School for the period from January 3, 2023 (date of inception) to June 30, 2024, and have issued our report thereon dated October 30, 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 July 8, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the 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 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 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 Charter School's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of BRICK Buffalo 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.

### **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 Director of Finance 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 risk:

- Management Override
- Improper revenue recognition
- Improper allocation of expenses to grants
- Functional expense allocation
- Misappropriation of assets

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the 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 BRICK Buffalo Academy Charter School is included in Note A to the financial statements. As described in Note A to the financial statements, during the period from January 3, 2023 (date of inception) to June 30, 2024, the Charter School adopted new guidance regarding current expected credit losses (ASC 326). 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 and Related Disclosures*

Accounting estimates and related disclosures 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 financial statements is the allocations of cost for the statement of functional expense and 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 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 BRICK Buffalo Academy Charter School's financial statements relate to revenue and support recognition and lease commitments, which is referred to in the notes of the financial statements.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **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, none of which were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **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 BRICK Buffalo Academy Charter School's 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 BRICK Buffalo Academy Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as BRICK Buffalo Academy Charter School's auditors.

## **Other Matters**

With respect to the supplementary information accompanying the 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, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the 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 BRICK Buffalo 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



**BRICK BUFFALO ACADEMY CHARTER SCHOOL**

**BUFFALO, NEW YORK**

**SCHEDULES REQUIRED BY GOVERNMENT  
AUDITING STANDARDS AND THE UNIFORM  
GUIDANCE**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2024**



BUSINESS  
ADVISORS  
AND CPAS

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BUSINESS  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
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IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
BRICK Buffalo 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 financial statements of BRICK Buffalo Academy Charter School, which comprise the statement of financial position as of June 30, 2024, statements of activities and changes in net assets, functional expenses, and cash flows for the period from January 3, 2023 (date of inception) to June 30, 2024 and the related notes to the financial statements and have issued our report thereon dated October 30, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BRICK Buffalo 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BRICK Buffalo Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of BRICK Buffalo Academy Charter School's internal control.

*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 *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BRICK Buffalo Academy Charter School's 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 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-002.

## **BRICK Buffalo Academy Charter School's Response to Findings**

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

## **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, Barz & Co. LLP*

Rochester, New York  
October 30, 2024



BUSINESS  
ADVISORS  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees  
BRICK Buffalo Academy Charter School

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited BRICK Buffalo Academy Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BRICK Buffalo Academy Charter School's major federal programs for the year ended June 30, 2024. BRICK Buffalo Academy Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BRICK Buffalo Academy Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BRICK Buffalo Academy Charter School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of BRICK Buffalo Academy Charter School's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to BRICK Buffalo Academy Charter School's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BRICK Buffalo Academy Charter School's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BRICK Buffalo Academy Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 BRICK Buffalo Academy Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BRICK Buffalo Academy Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BRICK Buffalo Academy Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of BRICK Buffalo Academy Charter School as of June 30, 2024 and for the period from January 3, 2023 (date of inception) to June 30, 2024, and have issued our report thereon dated October 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 30, 2024

BRICK BUFFALO ACADEMY CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021-24	\$ 32,633
Title IIA - Supporting Effective Instruction State Grant	84.367	0147-24	3,395
Charter School Planning and Implementation Grant	84.282	0089-24	<u>759,941</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>795,969</u>
 TOTAL ALL PROGRAMS			 <u>\$ 795,969</u>



BRICK BUFFALO ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of BRICK Buffalo Academy Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

BRICK Buffalo Academy Charter School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

BRICK BUFFALO ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

SUMMARY OF AUDITOR'S RESULTS

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Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted?   x   yes \_\_\_\_\_ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? \_\_\_\_\_ yes   x   no

Identification of major federal program:

*AL Number:*

84.282

*Name of Federal Program or Cluster:*

Charter School Planning & Implementation Grant

Dollar threshold used to distinguish between type A and type B programs:   \$750,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   x   no

BRICK BUFFALO ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd  
YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

**Finding 2024-001**

*Statement of condition*

During our audit, we noted the Charter School has not been using purchase orders/purchase request forms during the procurement process. We consider this to be a significant deficiency in internal control over financial reporting.

*Criteria and effect of conditions*

During the period from January 3, 2023 (date of inception) to June 30, 2024 the Charter School was not preparing any purchase orders in their procurement process in accordance with their Financial Policies and Procedures Manual (“FPPM”). Per the FPPM, requests for purchases are to be submitted to the Director of Operations. The Charter Management Organization’s (“CMO”) finance office will then create a purchase order per vendor and will seek approval based on purchase approval guidelines in the FPPM. During our testing, the Charter School was unable to provide approved purchase orders to substantiate that this process was being performed.

*Recommendation*

In order to ensure the Charter School is making purchases for items necessary and within the budget, we recommend the Charter School adheres to its policy of creating purchase orders for approval prior to purchasing and maintaining the approved documentation. This process will act as an additional control to ensure the purchases are allowable expenditures under federal and state grants.

*Management response*

Management has reviewed and agrees with the recommendation that adhering to this policy will enhance our procurement process and help ensure that all expenditures are allowable under federal and state grants. We are committed to implementing this recommendation promptly. We will reinforce our internal procedures and provide additional training for our staff to ensure compliance. Maintaining approved documentation will be a key focus moving forward.

BRICK BUFFALO ACADEMY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT, Cont'd

**Finding 2024-002**

*Statement of condition*

During our audit we noted BRICK Buffalo Academy Charter School did not create a dissolution reserve fund or account for purposes of school closure and/or dissolution as required by the Charter Agreement Section 8.9. \$25,000 per year is to be set aside in this fund during the first three years of operations. As of June 30, 2024, the required escrow deposit of \$25,000 was not made.

*Criteria and effect of conditions*

As of June 30, 2024, BRICK Buffalo Academy Charter School did not establish an escrow account and deposit the required \$25,000 in accordance with their Charter Agreement. As a result, the Charter School is not in compliance with section 8.9 of the Charter Agreement.

Future deposits of \$25,000 per fiscal year are required for the Charter School until the total dissolution fund reaches \$75,000.

*Recommendation*

We recommend management of BRICK Buffalo Academy Charter School immediately fund the dissolution fund for \$25,000 and verify funds have been deposited to the dissolution fund by June 30 for the next two years in accordance with their Charter Agreement.

*Management response*

Management has reviewed and agrees with the recommendation regarding the funding of the dissolution fund. We understand the importance of adhering to our Charter Agreement and we will open the dissolution fund account immediately and ensure that \$25,000 is allocated as recommended. Additionally, we will ensure the remaining \$50,000 is deposited by June 30 of fiscal years ending 2025-2026 so we maintain full compliance.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE