

AUDITED FINANCIAL STATEMENTS

BUFFALO COMMONS CHARTER SCHOOL

JUNE 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Buffalo Commons Charter School
Buffalo, New York

Opinion

We have audited the accompanying financial statements of Buffalo Commons Charter School (the School), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 Buffalo Commons Charter School as of June 30, 2025, and the changes in 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 audits 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* (GAS), 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 the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the School, as of and for the year ended June 30, 2024, were audited by other auditors, whose report, dated March 13, 2025, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Buffalo Commons Charter School's ability to continue as a going concern for one year after the date the financial statements are issued or 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 and GAS 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 and GAS, 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 the 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 the 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 GAS, we have also issued our report dated October 31, 2025 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the School's internal control over financial reporting and compliance.

Freed Maxick P.C.

Buffalo, New York
October 31, 2025

BUFFALO COMMONS CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2025	2024
Current assets:		
Cash and cash equivalents	\$ 153,447	\$ 141,645
Restricted cash	75,000	50,000
Grants and other receivables	32,997	31,428
Prepaid expenses	-	2,441
Total current assets	261,444	225,514
Property and equipment, net	101,119	131,346
Right of use asset - operating lease	262,822	13,677
Total assets	\$ 625,385	\$ 370,537
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 136,574	\$ 93,425
Accrued expenses	108,409	72,890
Current portion of operating lease liability	256,036	17,327
Refundable advances	166,667	165,330
Total current liabilities	667,686	348,972
Operating Lease liability	14,159	-
Total liabilities	681,845	348,972
Net (deficit) assets:		
Without donor restrictions	(65,915)	(86,274)
With donor restrictions	9,455	107,839
Total net (deficit) assets	(56,460)	21,565
Total liabilities and net assets	\$ 625,385	\$ 370,537

See accompanying notes.

BUFFALO COMMONS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30,

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Public School District Support:						
Resident student enrollment	\$ 1,389,535	\$ -	\$ 1,389,535	\$ 1,073,833	\$ -	\$ 1,073,833
Students with disabilities	213,549	-	213,549	164,451	-	164,451
Total public school district support	1,603,084	-	1,603,084	1,238,284	-	1,238,284
Federal and state grants	45,655	-	45,655	149,670	-	149,670
Contributions - private	12,000	-	12,000	11,230	130,884	142,114
Other grant revenue - forgiveness of refundable advance	8,972	-	8,972	8,871	-	8,871
Other income	10,100	-	10,100	7,120	-	7,120
Net assets released from restriction	98,384	(98,384)	-	32,500	(32,500)	-
Total revenue and support	1,778,195	(98,384)	1,679,811	1,447,675	98,384	1,546,059
Expenses:						
Program services:						
Regular education	1,066,288	-	1,066,288	906,913	-	906,913
Special education	184,071	-	184,071	68,814	-	68,814
Other program	76,030	-	76,030	73,954	-	73,954
Total program services	1,326,389	-	1,326,389	1,049,681	-	1,049,681
Management and general	431,447	-	431,447	399,905	-	399,905
Total expenses	1,757,836	-	1,757,836	1,449,586	-	1,449,586
Change in net assets	20,359	(98,384)	(78,025)	(1,911)	98,384	96,473
Net assets - beginning of year	(86,274)	107,839	21,565	(84,363)	9,455	(74,908)
Net assets - end of year	\$ (65,915)	\$ 9,455	\$ (56,460)	\$ (86,274)	\$ 107,839	\$ 21,565

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2025

	Number of Positions	Program Services				Management and General	Total
		Regular Education	Special Education	Other Program	Total		
Salaries							
Instructional	12	\$ 500,233	\$ 151,483	\$ 38,759	\$ 690,475	\$ -	\$ 690,475
Administrative staff	4	-	-	-	-	204,291	204,291
Total salaries	16	500,233	151,483	38,759	690,475	204,291	894,766
Occupancy costs		210,520	13,158	13,158	236,836	26,315	263,151
Fringe benefits and payroll taxes		105,321	8,360	10,031	123,712	43,466	167,178
Professional fees		11,912	-	-	11,912	84,169	96,081
Supplies and materials		68,432	3,802	3,802	76,036	-	76,036
Repairs and maintenance		49,132	3,071	3,071	55,274	6,141	61,415
Staff development		55,032	-	-	55,032	-	55,032
Other		-	-	2,759	2,759	32,066	34,825
Depreciation		24,182	1,511	1,511	27,204	3,023	30,227
Technology		25,609	1,423	1,423	28,455	-	28,455
Retirement		15,915	1,263	1,516	18,694	6,568	25,262
Office expense		-	-	-	-	10,183	10,183
Marketing and recruitment		-	-	-	-	9,577	9,577
Insurance		-	-	-	-	5,648	5,648
		<u>\$ 1,066,288</u>	<u>\$ 184,071</u>	<u>\$ 76,030</u>	<u>\$ 1,326,389</u>	<u>\$ 431,447</u>	<u>\$ 1,757,836</u>

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Number of Positions	Program Services				Management and General	Total
		Regular Education	Special Education	Other Program	Total		
Salaries							
Instructional	11	\$ 440,919	\$ 39,883	\$ 41,644	\$ 522,446	\$ -	\$ 522,446
Administrative staff	3	-	-	-	-	180,513	180,513
Total salaries	14	440,919	39,883	41,644	522,446	180,513	702,959
Occupancy costs		149,214	9,326	9,326	167,866	18,652	186,518
Fringe benefits and payroll taxes		103,355	8,203	9,843	121,401	42,655	164,056
Professional fees		24,650	-	-	24,650	59,925	84,575
Supplies and materials		56,169	3,121	3,121	62,411	-	62,411
Repairs and maintenance		47,565	2,973	2,973	53,511	5,946	59,457
Marketing and recruitment		-	-	-	-	56,147	56,147
Technology		41,394	2,299	2,299	45,992	-	45,992
Retirement		19,178	1,522	1,826	22,526	7,915	30,441
Depreciation		23,785	1,487	1,487	26,759	2,973	29,732
Insurance		-	-	-	-	13,173	13,173
Office expense		-	-	-	-	8,038	8,038
Other		-	-	1,435	1,435	3,968	5,403
Staff development		684	-	-	684	-	684
		<u>\$ 906,913</u>	<u>\$ 68,814</u>	<u>\$ 73,954</u>	<u>\$ 1,049,681</u>	<u>\$ 399,905</u>	<u>\$ 1,449,586</u>

See accompanying notes.

BUFFALO COLLEGIATE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Enrollment fees	\$ 1,630,055	\$ 1,213,633
Contributions - federal, state and local awards	30,450	227,404
Other	19,073	15,991
Total receipts	<u>1,679,578</u>	<u>1,457,028</u>
Disbursements:		
Payments to employees for services and benefits	1,026,426	892,247
Payments to vendors and suppliers	616,350	518,523
Total disbursements	<u>1,642,776</u>	<u>1,410,770</u>
Net cash provided by operating activities	36,802	46,258
Cash flows from investing activities:		
Purchase of property and equipment	-	(20,891)
Net cash used by investing activities	<u>-</u>	<u>(20,891)</u>
Net increase in cash and restricted cash	36,802	25,367
Cash and restricted cash - beginning of year	191,645	166,278
Cash and restricted cash - end of year	<u>\$ 228,447</u>	<u>\$ 191,645</u>
Cash and restricted cash is comprised of the following statements of financial position accounts:		
Cash	\$ 153,447	\$ 141,645
Restricted cash	75,000	50,000
Cash and restricted cash - end of year	<u>\$ 228,447</u>	<u>\$ 191,645</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (78,025)	\$ 96,473
Depreciation	30,227	29,732
(Increase) decrease in assets:		
Grants and other receivables	(1,569)	(25,534)
Prepaid expenses	2,441	17,667
Right of use asset	(249,145)	158,363
Increase (decrease) in liabilities:		
Accounts payable	43,149	23,526
Accrued payroll	35,519	5,209
Lease liability	252,868	(195,681)
Refundable advance	1,337	(63,497)
Net cash provided by operating activities	<u>\$ 36,802</u>	<u>\$ 46,258</u>
Supplemental Schedule of Noncash Flow Information:		
Right-of-use asset - operating lease	<u>\$ 249,145</u>	<u>\$ -</u>
Lease liability	<u>\$ 252,868</u>	<u>\$ -</u>

See accompanying notes.

BUFFALO COMMONS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of School: Buffalo Commons Charter School (“the School”) is an academically rigorous, creative, and collaborative learning community that uses research-based teaching practices and innovative programming to eliminate the opportunity gap and to prepare a diverse student body for successful lives that strengthen their communities. The School began operations in September 2022 offering classes from kindergarten through first grade and plans to add one grade per year until they reach eighth grade. The School has been chartered by the State University of New York Charter School Institute through July 31, 2027 and continued operations subsequent to that date are contingent upon approval of its charter renewal.

Basis of Presentation: The 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:

Net Assets Without Donor Restrictions/Net Deficit – Net assets that are not subject to donor-imposed restrictions and may be expended for any purposes in performing the primary objectives of the School. These assets may be used at the discretion of the School. The School has experienced an accumulated net deficit without donor restrictions in the amount of \$62,792 and \$86,274 for the years ended June 30, 2025 and 2024, respectively.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The School had net assets with donor restrictions at June 30, 2025 and 2024 in the amount of \$9,455 and \$107,839, respectively. Net assets with donor restrictions as of June 30, 2025 and 2024 consist of unspent grant funds restricted for an early literacy program.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School is required to maintain a restricted cash account as a reserve for dissolution. The separate account was fully funded as of June 30, 2025 and 2024.

Revenue Recognition:

Per Pupil Revenue - Regular Education: Enrollment fees are received from the public-school districts in which the student resides. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full-time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education services based on approved applicable rates for the services provided. Revenues are recognized over the period services are provided. The School generally invoices the resident district bi-monthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from the Buffalo Board of Education (the District). The School had 97 and 77 students for the years ended June 30, 2025 and 2024, respectively.

Contributions: Grant income consists of private grants and contributions received primarily from private foundations. Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as unrestricted revenue.

BUFFALO COMMONS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and State grants are recognized as revenue when the School meets the requirements with specific agreements. When applicable, amounts received before the required conditions are met are reported as deferred revenue on the accompanying balance sheet. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Grants and Other Receivables: Grants and other receivables are stated at the amount management expects to collect from outstanding balances. The School uses the direct write off method for uncollectible outstanding receivables. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable.

The School is a recipient of federal grants that requires allowable grant costs to be spent before the School is reimbursed by the grantor. The federal grant allows grant expenditures to be charged to the grant based on when expenses are committed as long as the expenses are paid within 90 days of the end of the grant period. An obligation, or encumbrance of expenses, within the federal grant guidelines do not necessarily create a liability in accordance with generally accepted accounting principles. Accordingly, the grant income associated with such committed grant expenditures that have not been incurred are not recorded as grant income.

Property and Equipment: Property and equipment is stated at cost net of accumulated depreciation. The School capitalizes property and equipment with a cost greater than \$5,000. Depreciation is provided over estimated asset service lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Donated Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

Income Taxes: The School is a 501(c)(3) School exempt from income taxes under Section 501(a) of the Internal Revenue Code.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Expense Allocation: The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort. Depreciation, interest, insurance, and occupancy costs are allocated based on management's estimate of program benefit.

Subsequent Events: The School has evaluated subsequent events through October 31, 2025, the date the financial statements were available to be issued.

BUFFALO COMMONS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 8,260	\$ 8,260
Furniture and fixtures	180,830	180,830
Less: accumulated depreciation	<u>(87,971)</u>	<u>(57,744)</u>
	<u>\$ 101,119</u>	<u>\$ 131,346</u>

Depreciation expense for the years ended June 30, 2025 and 2024 amounted to \$30,227 and \$29,732, respectively.

NOTE 3. LIQUIDITY RESOURCES

The School's primary sources of financial assets are grants and contributions from the public. The School has at its disposal cash and cash equivalents, which provide sources of liquidity. The following table reflects the School's financial assets as of June 30, 2025 and 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash and cash equivalents	\$ 153,447	\$ 141,645
Grants and other receivables	<u>32,997</u>	<u>31,428</u>
Total financial assets	186,444	173,073
 Less amounts not available to be used in one year:		
Net assets with donor restrictions	<u>(9,455)</u>	<u>(107,839)</u>
 Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 176,989</u>	<u>\$ 65,234</u>

NOTE 4. CONTINGENCIES

Noncompliance with Grants: The School was awarded a federal grant which closed on June 30, 2023. The federal grant allowed grant expenditures to be charged to the grant based on when expenses are committed as long as the expenses are paid within 90 days of the end of the grant period. Certain costs that management has asserted were encumbered through June 30, 2023 were disallowed. As a result, a provision in the amount of \$165,330 has been recorded as a liability related to a federal grant with disallowed costs. The School expects to repay the federal grant funds in the amount of \$165,330 which are reported on the accompanying Statement of Financial Position as refundable advances.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in additional claims against the School for disallowed costs or noncompliance with grantor restrictions. No additional provision has been made for any liabilities, if any, that may arise from such audits since the amounts, if any, cannot be determined at this date.

BUFFALO COMMONS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CONTINGENCIES (CONTINUED)

Financial Outlook: Despite a decrease in net assets of \$78,025, during the fiscal year ending June 30, 2025, resulting in an accumulated deficit of \$56,460, the School maintained positive operating cash flows for both 2024 and 2025 and did not draw on its line of credit throughout 2025. In alignment with its strategic growth plan, the School expanded by adding a new grade in fiscal year 2026, leading to an approximate 15% increase in enrollment. Management remains confident that continuing to add one grade annually through fiscal year 2030, combined with disciplined expense management, will strengthen the School's financial position in the years ahead.

NOTE 5. LEASES

The School has leased space in Buffalo, New York through July 31, 2025. The monthly lease payment was \$17,403 through July 2024 and increased to \$20,108 effective August 2024. The present value of the School's lease liability was calculated using an incremental borrowing rate of 5.25%. In determining the incremental borrowing rate, the School considered estimated borrowing data for similar arrangements as of the transition date.

The following are operating lease costs reported in the Statement of Functional Expenses (included in "occupancy costs") for the year ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ <u>242,303</u>	\$ <u>165,039</u>

The aggregate future lease payments for operating leases as of June 30, 2025 were as follows:

2026	\$ 256,036
2027	<u>21,448</u>
Total lease payments	277,484
Less imputed interest	<u>(7,289)</u>
Present value of lease liabilities	\$ <u>270,195</u>

NOTE 6. RETIREMENT PLAN

The School has a 401(k) in which the School contributes up to a 5% match of employee contributions. The plan is available to all employees who are eligible after a 3-month waiting period. The retirement expense for the years ended June 30, 2025 and 2024 was \$25,262 and \$30,441, respectively.

NOTE 7. LINE OF CREDIT

On April 8, 2025, the School secured a line of credit of \$50,000 with a base rate of 3.50%. As of June 30, 2025 there was no outstanding balance on the line of credit.

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

To the Board of Trustees of
Buffalo Commons Charter School
Buffalo, New York

We have audited, in accordance with the 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 Buffalo Commons Charter School (the School), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Buffalo Commons 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 Buffalo Commons Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Commons 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 School'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 the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buffalo Commons 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item # 2025-001.

Buffalo Commons Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Buffalo Commons Charter School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Buffalo Commons Charter School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick P.C.
Buffalo, New York
October 31, 2025

BUFFALO COMMONS CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025**

#2025-001 (Financial Reporting – Material Weakness in Internal Control and Compliance Matter)

Condition: The School reported costs on the Charter Schools Program (CSP) grant that were not paid for within 90 days of the end of the grant period as required by federal CSP grant standards. The School could not provide support for all encumbered costs that were reported or provide support for requests for grant advances that agreed to the School's books and records.

- **Criteria:** The School is required to pay the Charter Schools Program (CSP) grant expenditures within 90 days of the end of the grant period. The School is required to provide support for all encumbered costs charged to the grant.
- **Cause:** There is lack of segregation of duties related to management of federal grants. The grant expenditure reports are prepared by the Executive Director and not reviewed by another individual before being submitted. The Executive Director was not familiar with the Federal grant compliance requirements.
- **Effect:** The School resubmitted the final grant close out report (FS-10-F), which resulted in a \$165,330 overpayment whereby funds will need to be returned to NYSED.
- **Recommendation:** We recommend the School evaluate its controls over grant reporting to ensure proper segregation of duties.

Management's response: As part of the audit readiness process for its financial statement audit for the period ended June 30, 2023, the School identified certain items that were improperly included in the FS-10F submitted to the New York State Education Department (NYSED) on September 29, 2023 for the CSP grant period ended June 30, 2023. The items were expenses approved in the budget but had not yet been expended as of June 30, 2023. The School contacted NYSED and requested and was granted the opportunity to resubmit the FS-10-F for CSP. The resubmitted FS-10-F has been received and reviewed by NYSED and resulted in an overpayment of \$165,330.

BUFFALO COMMONS CHARTER SCHOOL

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025**

#2024-001 (Financial Reporting – Material Weakness in Internal Control and Compliance Matter)

Condition: The School reported costs on the Charter Schools Program (CSP) grant that were not paid for within 90 days of the end of the grant period as required by federal CSP grant standards. The School could not provide support for all encumbered costs that were reported or provide support for requests for grant advances that agreed to the School's books and records.

- **Criteria:** The School is required to pay the Charter Schools Program (CSP) grant expenditures within 90 days of the end of the grant period. The School is required to provide support for all encumbered costs charged to the grant.
- **Cause:** There is lack of segregation of duties related to management of federal grants. The grant expenditure reports are prepared by the Executive Director and not reviewed by another individual before being submitted. The Executive Director was not familiar with the Federal grant compliance requirements.
- **Effect:** The School resubmitted the final grant close out report (FS-10-F), which resulted in a \$165,330 overpayment whereby funds will need to be returned to NYSED.
- **Recommendation:** We recommend the School evaluate its controls over grant reporting to ensure proper segregation of duties.

Management's response: As part of the audit readiness process for its financial statement audit for the period ended June 30, 2023, the School identified certain items that were improperly included in the FS-10F submitted to the New York State Education Department (NYSED) on September 29, 2023 for the CSP grant period ended June 30, 2023. The items were expenses approved in the budget but had not yet been expended as of June 30, 2023. The School contacted NYSED and requested and was granted the opportunity to resubmit the FS-10-F for CSP. The resubmitted FS-10-F has been received and reviewed by NYSED and resulted in an overpayment of \$165,330.

Status: Repeat finding. See current year finding 2025-001.

#2024-002 (Compliance and Other Matters)

Condition: The School did not increase the reserve for dissolution by \$25,000 as required by the School's authorizer prior to June 30, 2025.

- **Criteria:** Pursuant to the School's charter agreement, the School is required to increase the dissolution reserve to \$50,000 by June 30, 2025.
- **Cause:** The School did not increase the dissolution reserve bank account by June 30, 2025.
- **Effect:** The School did not comply with the requirement to increase the dissolution reserve.
- **Recommendation:** The School should fund the dissolution reserve bank account by the required amount.
- **Management's response:** In October 2024, the School made a deposit of \$25,000 into its reserve account representing the required funding for its second year of operations.

Status: Issue resolved.

BUFFALO COMMONS CHARTER SCHOOL

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2024**

#2024-003 (Compliance and Other Matters)

- Condition: The School did not submit the audit for the year ended June 30, 2025 by the required due date of November 1, 2025.
- Criteria: The School is required to submit its audit by November 1st of each year.
- Cause: The School's books and records were not ready in sufficient time to meet the November 1, 2025 due date. Effect: The School is not in compliance with the requirement to have its audit submitted by November 1, 2025.
- Recommendation: We recommend that management and the audit committee of the board of trustees ensure the School is ready for the annual audit on a timely basis in the future.

Management's response: Consistent with the prior year, management worked diligently to provide the requested items within a reasonable time frame. Resources available to fulfill audit requests were limited, which resulted in additional time delays. Management anticipates the audit start date of its audit for 2025 will begin in August to meet the required due date of November 1st.

Status: Issue resolved.