

**SOUTH BUFFALO CHARTER SCHOOL
AND AFFILIATE**

SINGLE AUDIT REPORTING PACKAGE

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
South Buffalo Charter School and Affiliate

We have audited the accompanying consolidated balance sheets of South Buffalo Charter School and Affiliate (the Organization) as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The accompanying additional information, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying additional information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Lynden & McCormick, LLP". The signature is written in a cursive, flowing style.

October 25, 2021

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Balance Sheets

June 30,	2021	2020
Assets		
Current Assets:		
Cash	\$ 8,129,327	\$ 6,517,020
Receivables (Note 2)	1,202,673	686,888
Prepaid expenses	303,066	333,952
	<u>9,635,066</u>	<u>7,537,860</u>
Property and equipment, net (Note 3)	17,169,966	18,152,583
Investments (Note 4)	9,327,791	9,147,447
	<u>\$ 36,132,823</u>	<u>\$ 34,837,890</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt (Note 6)	\$ 580,558	\$ 553,904
Accounts payable and accrued expenses	1,524,696	1,395,479
	<u>2,105,254</u>	<u>1,949,383</u>
Long-term debt (Note 6)	9,358,250	9,933,058
Net assets:		
Without donor restrictions	<u>24,669,319</u>	<u>22,955,449</u>
	<u>\$ 36,132,823</u>	<u>\$ 34,837,890</u>

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Activities

For the years ended June 30,	2021	2020
Support and revenue:		
Enrollment fees:		
Resident students	\$ 11,604,159	\$ 12,038,989
Resident students with disabilities	349,796	406,110
Contributions:		
Federal awards	1,213,962	1,088,348
State and other awards	56,579	14,649
Food service	2,337	11,782
Investment income (Note 4)	180,344	387,279
Other income	80,240	188,597
Total support and revenue	13,487,417	14,135,754
Expenses:		
Program expenses:		
Regular education	8,341,640	8,215,987
Special education	1,321,122	1,484,374
Other programs	1,026,904	1,572,105
Total program expenses	10,689,666	11,272,466
Supporting services:		
Management and general	1,083,881	1,179,560
Total expenses	11,773,547	12,452,026
Change in net assets	1,713,870	1,683,728
Net assets - beginning	22,955,449	21,271,721
Net assets - ending	\$ 24,669,319	\$ 22,955,449

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Statement of Functional Expenses

For the year ended June 30, 2021

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	16.0	\$ 462,761	\$ 63,673	\$ 40,213	\$ 440,678	\$ 1,007,325
Instructional personnel	84.0	3,538,930	437,560	226,553	-	4,203,043
Non-instructional personnel	14.0	322,674	43,023	112,936	59,157	537,790
Salaries		4,324,365	544,256	379,702	499,835	5,748,158
Employee benefits and taxes		1,465,634	184,462	128,690	169,406	1,948,192
Retirement		343,170	43,191	30,132	39,666	456,159
Professional fees		-	-	-	52,749	52,749
Other contracted services		-	271,259	-	62,159	333,418
Property taxes		111,386	14,019	9,780	12,875	148,060
Repairs and maintenance		174,125	21,915	15,289	20,126	231,455
Insurance		45,825	5,767	4,024	5,297	60,913
Utilities		97,736	12,301	8,582	11,297	129,916
Supplies and materials		144,455	18,181	12,684	16,697	192,017
Equipment and furnishings		3,065	386	269	354	4,074
Staff development		69,705	8,773	6,120	8,057	92,655
Recruitment		-	-	-	3,298	3,298
Technology		310,170	39,037	27,235	35,851	412,293
Food service		-	-	243,210	-	243,210
Student services		-	-	51,254	-	51,254
Office expense		56,763	7,144	4,984	6,564	75,455
Interest		374,039	47,076	32,843	43,232	497,190
Other expenses		-	-	-	1,500	1,500
		7,520,438	1,217,767	954,798	988,963	10,681,966
Depreciation		821,202	103,355	72,106	94,918	1,091,581
Total		\$ 8,341,640	\$ 1,321,122	\$ 1,026,904	\$ 1,083,881	\$ 11,773,547

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Statement of Functional Expenses

For the year ended June 30, 2020

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	19.0	\$ 487,506	\$ 62,424	\$ 60,490	\$ 482,728	\$ 1,093,148
Instructional personnel	84.0	3,404,345	474,994	226,528	-	4,105,867
Non-instructional personnel	15.0	401,637	53,552	140,573	73,633	669,395
Salaries		4,293,488	590,970	427,591	556,361	5,868,410
Employee benefits and taxes		1,469,772	202,304	146,376	190,456	2,008,908
Retirement		351,886	48,435	35,045	45,598	480,964
Professional fees		-	-	-	44,936	44,936
Other contracted services		-	353,498	2,430	66,701	422,629
Property taxes		169,654	23,352	16,896	21,984	231,886
Repairs and maintenance		126,743	17,445	12,622	16,424	173,234
Insurance		30,519	4,201	3,039	3,955	41,714
Utilities		76,144	10,481	7,583	9,867	104,075
Supplies and materials		171,697	23,633	17,099	22,249	234,678
Equipment and furnishings		3,131	431	312	406	4,280
Staff development		126,198	17,370	12,568	16,353	172,489
Recruitment		-	-	-	2,900	2,900
Technology		107,096	14,741	10,666	13,878	146,381
Food service		-	-	634,931	-	634,931
Student services		-	-	116,508	-	116,508
Office expense		67,853	9,339	6,758	8,793	92,743
Interest		383,173	52,741	38,160	49,653	523,727
Other expenses		-	-	-	375	375
		7,377,354	1,368,941	1,488,584	1,070,889	11,305,768
Depreciation		838,633	115,433	83,521	108,671	1,146,258
Total		\$ 8,215,987	\$ 1,484,374	\$ 1,572,105	\$ 1,179,560	\$ 12,452,026

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Cash Flows

For the years ended June 30,	2021	2020
Operating activities:		
Cash received from enrollment fees	\$ 11,537,585	\$ 12,036,973
Cash received from contributions	1,183,950	1,034,109
Cash received from other sources	69,753	153,789
Interest received	173,869	227,443
Payments to employees for services and benefits	(8,106,247)	(8,299,646)
Payments to vendors and suppliers	(1,944,729)	(2,522,677)
Interest paid	(470,887)	(523,727)
Net operating activities	2,443,294	2,106,264
Investing activities:		
Property and equipment expenditures	(108,964)	(82,523)
Purchase of investments	(173,869)	(1,727,443)
	(282,833)	(1,809,966)
Financing activities:		
Payments on long-term debt	(548,154)	(521,617)
Net change in cash	1,612,307	(225,319)
Cash - beginning	6,517,020	6,742,339
Cash - ending	\$ 8,129,327	\$ 6,517,020

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

The consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization) include the accounts of South Buffalo Charter School (the School) and 154 South Ogden, LLC (the LLC).

The School operates a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School has been chartered through June 2025. The School currently offers classes from kindergarten through grade 8.

The School seeks to provide equitable opportunities for all students to acquire an education that links character education with rigorous academics, technology, and careers to produce students who are prepared for success in the 21st century. Students enrolled reside primarily in the City School District.

The School is the single member of the LLC, a limited liability company formed in 2012 to acquire land and construct a state of the art educational facility. All significant intercompany transactions and balances have been eliminated.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 25, 2021, the date the financial statements were available to be issued.

Cash

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur.

Property and Equipment:

Property and equipment to be held and used is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Investments:

Investments are comprised of marketable securities stated at fair value as determined by quoted prices in active markets.

Revenue Recognition:

Enrollment Fees

Enrollment fees are received from the public-school districts where the students reside. 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 service based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly 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 Board of Education for the City School District (the District).

Contributions

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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 support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the Organization meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying consolidated balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Receivables

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to uncollectible receivables and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under section 501(a) of the Internal Revenue Code. The LLC has elected to be taxed as a corporation effective July 1, 2014. The LLC recognized and paid no income taxes in 2021 or 2020.

Transportation:

The City School District provides the School with certain transportation services without cost. The value of these services has not been recorded in these financial statements.

Use of Estimates:

The preparation of financial statements in accordance 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.

Functional Expense Allocation:

The Organization'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, benefits, and payroll taxes, which are allocated based on estimates of time and effort. Most of the remaining expenses are allocated based on management's estimate of program benefit.

2. Receivables:

	2021	2020
Contributions	\$ 282,028	\$ 195,437
Enrollment fees	834,616	418,246
Other	86,029	73,205
	<u>\$ 1,202,673</u>	<u>\$ 686,888</u>

Enrollment fee receivables as June 30, 2021 and 2020 include amounts withheld by the District for disputed rates of special education services provided by the School from 2008 through 2018 (Note 10).

3. Property and Equipment:

	2021	2020
Land	\$ 538,624	\$ 538,624
Building and improvements	18,178,018	18,100,412
Furniture and equipment	6,652,804	6,621,446
	<u>25,369,446</u>	25,260,482
Less accumulated depreciation	8,199,480	7,107,899
	<u>\$ 17,169,966</u>	<u>\$ 18,152,583</u>

4. Investments:

	2021	2020
Interest bearing cash	\$ 26,716	\$ 234,608
Equities	540,824	502,176
Fixed income	8,760,251	8,410,663
	<u>\$ 9,327,791</u>	<u>\$ 9,147,447</u>

Investment returns are as follows:

	2021	2020
Interest	\$ 173,869	\$ 227,443
Unrealized gains	6,475	159,836
	<u>\$ 180,344</u>	<u>\$ 387,279</u>

5. Line of Credit:

The School has available a \$500,000 bank demand line of credit, with interest payable at 70% of prime plus 0.5%, secured by essentially all of the School's assets, and guaranteed by the LLC. There were no outstanding amounts under this line at June 30, 2021 and 2020.

6. Long-Term Debt:

	2021	2020
Bank mortgage note payable, monthly installments of \$87,112 including interest at 4.50% with balloon payment of \$7,885,800 due January 2025, secured by essentially all assets of the Organization.	\$ 10,033,061	\$ 10,607,518
Less unamortized debt issuance costs	94,253	120,556
	<u>9,938,808</u>	10,486,962
Less current portion	580,558	553,904
	<u>\$ 9,358,250</u>	<u>\$ 9,933,058</u>

Debt issuance costs are amortized as interest expense over the remaining term of the mortgage note. Amortization of debt issuance costs totaled \$26,303 for each of the years ended June 30, 2021 and 2020.

Aggregate maturities of net long-term debt subsequent to June 30, 2021 are:

2022	\$	580,558
2023		608,438
2024		637,597
2025		8,112,215
	\$	<u>9,938,808</u>

The bank loan agreements contains a restrictive covenant relating to debt service coverage.

7. Retirement Plans:

The School maintains a 403(b) profit sharing plan covering essentially all full-time employees (as defined). The plan requires certain employer match contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2021 and 2020 were \$34,149 and \$34,281.

The School participates in the New York State Teachers' Retirement System (TRS), which is a cost-sharing multiple employer public employee retirement system. TRS offers a wide range of plans and benefits for the School's collectively bargained teacher group which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nystrs.org.

No employee contributions are required for those whose service began prior to July 1976. TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% of compensation throughout their active membership in TRS. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

Pursuant to Article 11 of Education Law, rates are established annually by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 9.53% of the annual covered payroll for the year ended June 30, 2021, and 8.86% for the year ended June 30, 2020.

The required contributions for the years ended June 30, 2021 and 2020 were \$422,010 and \$446,683.

8. Health Insurance:

The School participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to participating school and school district members.

The School has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalents. If the Plan's assets are exhausted, members would be equally responsible for the remaining liabilities.

The Plan's financial report for the year ended June 30, 2020 can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York, 14224.

9. Financial Assets Available for Operations:

The Organization obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures. If necessary, the Organization also has access to a \$500,000 bank demand line of credit (Note 5).

The Organization's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	2020
Cash	\$ 8,054,327	\$ 6,442,020
Receivables	1,202,673	686,888
Investments	9,327,791	9,147,447
	<u>\$ 18,584,791</u>	<u>\$ 16,276,355</u>

10. Contingency

In 2019, an audit by the Office of the New York State Comptroller determined the District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the District to the School for special education services. In February 2020, the District informed the School of its intent to recoup approximately \$506,000 in special education aid paid over the past decade through a reduction in the District's payments for enrollment fees earned by the School. In both 2020 and 2021, the District withheld from the School approximately \$253,000 from enrollment fees invoiced by the School.

To recover amounts withheld and pursuant to guidance, the School has submitted a State intercept to the New York State Education Department Commissioner and is following all administrative procedures to resolve the matter. Management believes the School will be successful in challenging the District's recoupment of funds through the State administrative procedure, and all amounts withheld per above have been recognized as amounts due from the District at June 30, 2021 and 2020 in the accompanying consolidated financial statements (Note 2).

11. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and resulted in a severe disruption of operations for many organizations.

In March 2020, the School transitioned to remote instruction for the remainder of the 2019-20 School year. During the 2020-21 school year, the School provided hybrid in-person and remote instruction model in compliance with all government safety mandates. Consequently, enrollment fees and revenue for the years ended June 30, 2021 and 2020 were not reduced.

The full extent of the impact of COVID-19 on the School's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Additional Information
Consolidating Balance Sheets**

June 30,	2021				2020			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Assets								
Current Assets:								
Cash	\$ 7,662,872	\$ 466,455	\$ -	\$ 8,129,327	\$ 6,127,611	\$ 389,409	\$ -	\$ 6,517,020
Receivables	1,116,644	86,029	-	1,202,673	635,351	51,537	-	686,888
Prepaid expenses	303,066	-	-	303,066	333,952	-	-	333,952
	9,082,582	552,484	-	9,635,066	7,096,914	440,946	-	7,537,860
Property and equipment, net	182,562	16,987,404	-	17,169,966	111,486	18,041,097	-	18,152,583
Investments	9,327,791	-	-	9,327,791	9,147,447	-	-	9,147,447
Due from affiliate	12,008,349	-	(12,008,349)	-	11,480,918	-	(11,480,918)	-
	\$ 30,601,284	\$ 17,539,888	\$ (12,008,349)	\$ 36,132,823	\$ 27,836,765	\$ 18,482,043	\$ (11,480,918)	\$ 34,837,890
Liabilities and Net Assets								
Current Liabilities:								
Current portion of long-term debt	\$ -	\$ 580,558	\$ -	\$ 580,558	\$ -	\$ 553,904	\$ -	\$ 553,904
Accounts payable and accrued expenses	1,523,571	1,125	-	1,524,696	1,394,354	1,125	-	1,395,479
	1,523,571	581,683	-	2,105,254	1,394,354	555,029	-	1,949,383
Due to affiliate	-	12,008,349	(12,008,349)	-	-	11,480,918	(11,480,918)	-
Long-term debt	-	9,358,250	-	9,358,250	-	9,933,058	-	9,933,058
Net assets:								
Without donor restrictions	29,077,713	(4,408,394)	-	24,669,319	26,442,411	(3,486,962)	-	22,955,449
	\$ 30,601,284	\$ 17,539,888	\$ (12,008,349)	\$ 36,132,823	\$ 27,836,765	\$ 18,482,043	\$ (11,480,918)	\$ 34,837,890

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Consolidating Statements of Activities

For the years ended June 30,

	2021				2020			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Support and revenue:								
Enrollment fees:								
Resident students	\$ 11,604,159	\$ -	\$ -	\$ 11,604,159	\$ 12,038,989	\$ -	\$ -	\$ 12,038,989
Resident students with disabilities	349,796	-	-	349,796	406,110	-	-	406,110
Contributions:								
Federal awards	1,213,962	-	-	1,213,962	1,088,348	-	-	1,088,348
State and other awards	56,579	-	-	56,579	14,649	-	-	14,649
Food service	2,337	-	-	2,337	11,782	-	-	11,782
Rental income	-	1,115,840	(1,115,840)	-	-	1,115,840	(1,115,840)	-
Interest income	527,431	-	(527,431)	-	504,265	-	(504,265)	-
Investment income	180,344	-	-	180,344	387,279	-	-	387,279
Other income	37,697	42,543	-	80,240	34,058	154,539	-	188,597
Total support and revenue	13,972,305	1,158,383	(1,643,271)	13,487,417	14,485,480	1,270,379	(1,620,105)	14,135,754
Expenses:								
Program expenses:								
Regular education	8,014,354	1,563,526	(1,236,240)	8,341,640	7,840,726	1,560,574	(1,185,313)	8,215,987
Special education	1,279,931	196,782	(155,591)	1,321,122	1,432,721	214,803	(163,150)	1,484,374
Other programs	998,166	137,286	(108,548)	1,026,904	1,534,732	155,419	(118,046)	1,572,105
Total program expenses	10,292,451	1,897,594	(1,500,379)	10,689,666	10,808,179	1,930,796	(1,466,509)	11,272,466
Supporting services:								
Management and general	1,044,552	182,221	(142,892)	1,083,881	1,130,558	202,598	(153,596)	1,179,560
Total expenses	11,337,003	2,079,815	(1,643,271)	11,773,547	11,938,737	2,133,394	(1,620,105)	12,452,026
Change in net assets	2,635,302	(921,432)	-	1,713,870	2,546,743	(863,015)	-	1,683,728
Net assets - beginning	26,442,411	(3,486,962)	-	22,955,449	23,895,668	(2,623,947)	-	21,271,721
Net assets - ending	\$ 29,077,713	\$ (4,408,394)	\$ -	\$ 24,669,319	\$ 26,442,411	\$ (3,486,962)	\$ -	\$ 22,955,449

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-21-4035	\$ 387,337
Charter Schools	84.282	N/A	49,950
Supporting Effective Instruction State Grants	84.367	0147-21-4035	38,491
Student Support and Academic Enrichment Program	84.424	0204-21-4035	31,886
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4035	<u>324,763</u>
Total New York State Education Department			832,427
<u>U.S. Department of Treasury</u>			
Passed through Erie County:			
Coronavirus Relief Fund	21.019	N/A	129,350
<u>U.S. Department of Agriculture</u>			
Passed through the New York State Education Department:			
Child Nutrition Cluster:			
COVID-19 - Summer Food Service Program for Children	10.559	N/A	216,117
Passed through the New York State Office Of General Services:			
National School Lunch Program	10.555	N/A	<u>36,068</u>
Total Child Nutrition Cluster and U.S. Department of Agriculture			<u>252,185</u>
Total Expenditures of Federal Awards			<u>\$ 1,213,962</u>

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by South Buffalo Charter School and Affiliate (the Organization), an entity as defined in Note 1 to the Organization's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the schedule of expenditures of federal awards.

Basis of Accounting

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Organization's financial reporting system. The federal expenditures are recorded on the accrual basis.

Indirect Costs

The Organization typically does not allocate indirect costs to Federal programs and as such the 10% de minimis indirect cost rate permitted by the Uniform Guidance is not applicable.

Non-Monetary Federal Program

The Organization is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2021, the School used \$36,068 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
South Buffalo Charter School and Affiliate

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 consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of activities, 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 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in blue ink that reads "Sumner & McCormick, LLP". The signature is written in a cursive, flowing style.

October 25, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
South Buffalo Charter School and Affiliate

Report on Compliance for Each Major Federal Program

We have audited South Buffalo Charter School and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of 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, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 25, 2021

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I. Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to consolidated financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	CFDA#	<u>Amount</u>
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D	<u>\$ 324,763</u>

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.