

**SOUTH BUFFALO CHARTER SCHOOL
AND AFFILIATE**

SINGLE AUDIT REPORTING PACKAGE

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
South Buffalo Charter School and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated balance sheets of South Buffalo Charter School and Affiliate (the Organization) as of June 30, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and 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 (GAAP).

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility 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 auditors' 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 *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 *Government Auditing Standards*, 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 Organization'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 Organization'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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards, as 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 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 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 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 "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 31, 2023

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Balance Sheets

June 30,	2023	2022
Assets		
Current Assets:		
Cash	\$ 11,325,625	\$ 10,719,950
Receivables (Note 2)	1,602,145	1,261,258
Prepaid expenses	341,390	334,588
	<u>13,269,160</u>	<u>12,315,796</u>
Property and equipment, net (Note 3)	15,989,604	16,537,005
Investments (Note 4)	9,251,111	9,054,623
	<u>\$ 38,509,875</u>	<u>\$ 37,907,424</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt (Note 6)	\$ 637,597	\$ 608,438
Accounts payable and accrued expenses	1,740,103	1,647,437
	<u>2,377,700</u>	<u>2,255,875</u>
Long-term debt (Note 6)	8,126,579	8,757,184
Net assets:		
Without donor restrictions	28,005,596	26,894,365
	<u>\$ 38,509,875</u>	<u>\$ 37,907,424</u>

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Activities

For the years ended June 30,	2023	2022
Support and revenue:		
Enrollment fees:		
Resident students	\$ 11,673,216	\$ 11,814,650
Resident students with disabilities	503,018	470,678
Contributions:		
Federal awards	2,534,690	2,973,417
State and other awards	15,051	61,769
In-kind	64,145	56,533
Food service	23,402	9,811
Investment activity (Note 4)	196,488	(273,168)
Other income	35,260	69,948
Total support and revenue	15,045,270	15,183,638
Expenses:		
Program expenses:		
Regular education	9,137,407	9,094,580
Special education	1,359,621	1,142,283
Other programs	2,057,238	1,616,603
Total program expenses	12,554,266	11,853,466
Supporting services:		
Management and general	1,379,773	1,105,126
Total expenses	13,934,039	12,958,592
Change in net assets	1,111,231	2,225,046
Net assets - beginning	26,894,365	24,669,319
Net assets - ending	\$ 28,005,596	\$ 26,894,365

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statement of Functional Expenses

For the year ended June 30, 2023

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	15.0	\$ 506,083	\$ 71,212	\$ 139,197	\$ 477,104	\$ 1,193,596
Instructional personnel	98.0	4,315,817	487,565	401,748	-	5,205,130
Non-instructional personnel	28.0	408,900	54,520	143,115	74,964	681,499
Salaries		5,230,800	613,297	684,060	552,068	7,080,225
Employee benefits and taxes		1,517,354	177,905	198,432	160,145	2,053,836
Retirement		435,664	51,080	56,974	45,981	589,699
Professional fees		-	-	-	52,714	52,714
Other contracted services		-	288,286	-	355,360	643,646
Property taxes		111,008	13,016	14,517	11,716	150,257
Repairs and maintenance		170,120	19,946	22,247	17,955	230,268
Insurance		52,370	6,140	6,849	5,527	70,886
Utilities		114,686	13,446	14,998	12,104	155,234
Supplies and materials		127,336	14,930	16,652	13,439	172,357
Equipment and furnishings		38,602	4,526	5,048	4,074	52,250
Staff development		147,343	17,276	19,269	15,551	199,439
Recruitment		-	-	-	5,824	5,824
Technology		367,904	43,136	48,113	38,829	497,982
Food service		-	-	725,555	-	725,555
Student services		-	-	136,736	-	136,736
Office and other expenses		91,858	10,770	12,013	11,192	125,833
Interest		327,947	38,451	42,887	34,612	443,897
		8,732,992	1,312,205	2,004,350	1,337,091	13,386,638
Depreciation		404,415	47,416	52,888	42,682	547,401
Total		\$ 9,137,407	\$ 1,359,621	\$ 2,057,238	\$ 1,379,773	\$ 13,934,039

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statement of Functional Expenses

For the year ended June 30, 2022

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	15.0	\$ 523,243	\$ 64,946	\$ 4,750	\$ 432,889	\$ 1,025,828
Instructional personnel	109.0	4,154,566	381,197	347,931	-	4,883,694
Non-instructional personnel	15.0	353,752	47,167	123,813	64,855	589,587
Salaries		5,031,561	493,310	476,494	497,744	6,499,109
Employee benefits and taxes		1,522,973	149,317	144,227	150,659	1,967,176
Retirement		406,155	39,821	38,463	40,179	524,618
Professional fees		-	-	-	109,495	109,495
Other contracted services		-	250,622	-	89,108	339,730
Property taxes		111,350	10,917	10,545	11,015	143,827
Repairs and maintenance		164,126	16,091	15,543	16,237	211,997
Insurance		49,505	4,854	4,688	4,897	63,944
Utilities		129,213	12,668	12,237	12,782	166,900
Supplies and materials		192,164	18,840	18,198	19,010	248,212
Equipment and furnishings		10,881	1,067	1,030	1,077	14,055
Staff development		78,386	7,686	7,423	7,754	101,249
Recruitment		-	-	-	5,257	5,257
Technology		478,471	46,911	45,312	47,332	618,026
Food service		-	-	635,269	-	635,269
Student services		-	-	120,067	-	120,067
Office and other expenses		64,221	6,296	6,082	7,943	84,542
Interest		365,541	35,839	34,617	36,161	472,158
		8,604,547	1,094,239	1,570,195	1,056,650	12,325,631
Depreciation		490,033	48,044	46,408	48,476	632,961
Total		\$ 9,094,580	\$ 1,142,283	\$ 1,616,603	\$ 1,105,126	\$ 12,958,592

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Cash Flows

For the years ended June 30,	2023	2022
Operating activities:		
Cash received from enrollment fees	\$ 12,215,411	\$ 12,387,500
Cash received from contributions	2,203,159	2,911,553
Cash received from other sources	89,325	99,168
Interest received	158,172	119,255
Payments to employees for services and benefits	(9,741,148)	(8,825,840)
Payments to vendors and suppliers	(3,119,828)	(2,936,414)
Interest paid	(443,898)	(472,158)
Net operating activities	1,361,193	3,283,064
Investing activities:		
Purchase of investments	(158,172)	(119,255)
Financing activities:		
Payments on long-term debt	(597,346)	(573,186)
Net change in cash	605,675	2,590,623
Cash - beginning	10,719,950	8,129,327
Cash - ending	\$ 11,325,625	\$ 10,719,950

See accompanying notes.

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 currently offers classes from kindergarten through grade 8. The School has been chartered through June 2025, after which time the charter may be renewed, upon application.

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 31, 2023, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the Organization 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 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 district where a 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 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 City School 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. When applicable, 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.

As of June 30, 2023, conditional government awards from the federal Education Stabilization Fund of approximately \$1,245,000 will be recognized when qualifying expenses are incurred over the next two years.

In-kind contributions represent donated commodities for the cafeteria program which would typically need to be purchased if not provided by donation. These amounts are recognized as revenue at estimated fair value when the commodities are received.

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 §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 2023 or 2022.

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:

	2023	2022
Contributions	\$ 872,921	\$ 462,194
Enrollment fees	693,267	732,444
Other	35,957	66,620
	<u>\$ 1,602,145</u>	<u>\$ 1,261,258</u>

Enrollment fee receivables at June 30, 2023 and 2022 include amounts withheld by the City School District for disputed rates of special education services provided by the School from 2008 through 2018 (Note 10).

3. Property and Equipment:

	2023	2022
Land	\$ 538,624	\$ 538,624
Building and improvements	18,178,018	18,178,018
Furniture and equipment	6,652,804	6,652,804
	<u>25,369,446</u>	<u>25,369,446</u>
Less accumulated depreciation	9,379,842	8,832,441
	<u>\$ 15,989,604</u>	<u>\$ 16,537,005</u>

4. Investments:

	2023	2022
Interest bearing cash	\$ 885,767	\$ 1,302,205
Equities	661,442	470,910
Fixed income	7,703,902	7,281,508
	<u>\$ 9,251,111</u>	<u>\$ 9,054,623</u>

Investment activity consists of the following for the years ended June 30:

	2023	2022
Interest	\$ 158,172	\$ 119,255
Unrealized gains (losses)	38,316	(392,423)
	<u>\$ 196,488</u>	<u>\$ (273,168)</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, 2023 and 2022.

6. Long-Term Debt:

	2023	2022
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.	\$ 8,805,823	\$ 9,433,572
Less unamortized debt issuance costs	41,647	67,950
	<u>8,764,176</u>	<u>9,365,622</u>
Less current portion	637,597	608,438
	<u>\$ 8,126,579</u>	<u>\$ 8,757,184</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, 2023 and 2022.

Aggregate maturities of net long-term debt subsequent to June 30, 2023 are:

2024	\$ 637,597
2025	8,126,579
	<u>\$ 8,764,176</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, 2023 and 2022 were \$52,483 and \$32,775.

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 10.29% of the annual covered payroll for the year ended June 30, 2023 and 9.80% for the year ended June 30, 2022. The required contributions for the years ended June 30, 2023 and 2022 were \$537,216 and \$491,843.

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.

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. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. To date, these supplemental assessments have not been required.

The Plan's financial report for the year ended June 30, 2022 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:

	2023	2022
Cash	\$ 11,250,625	\$ 10,644,950
Receivables	1,602,145	1,261,258
Investments	9,251,111	9,054,623
	\$ 22,103,881	\$ 20,960,831

10. Contingency:

In 2019, an audit by the Office of the New York State Comptroller determined the City School 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 City School District to the School for special education services.

The City School District recouped approximately \$506,000 in special education aid in the 2019-20 and 2020-21 school years through a reduction in the City School District's payments for enrollment fees earned 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 (NYSED) Commissioner for the 2019-20 year (and in the process of submitting the 2020-21 year) and is following all administrative procedures to resolve the matter.

In October 2023, the School was notified the State intercept for 2019-20 school year was approved by NYSED and will be paid in fiscal year 2024. Management believes the School will receive the remaining funds through the State administrative procedure. Recoupment amounts outstanding are included in enrollment fees receivable (Note 2) and total \$506,000 as of June 30, 2023 and 2022.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Consolidating Balance Sheets

June 30,	2023				2022			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Assets								
Current Assets:								
Cash	\$ 10,634,755	\$ 690,870	\$ -	\$ 11,325,625	\$ 10,129,183	\$ 590,767	\$ -	\$ 10,719,950
Receivables	1,566,188	35,957	-	1,602,145	1,194,638	66,620	-	1,261,258
Prepaid expenses	341,390	-	-	341,390	334,588	-	-	334,588
	12,542,333	726,827	-	13,269,160	11,658,409	657,387	-	12,315,796
Property and equipment, net	106,793	15,882,811	-	15,989,604	141,042	16,395,963	-	16,537,005
Investments	9,251,111	-	-	9,251,111	9,054,623	-	-	9,054,623
Due from affiliate	13,137,197	-	(13,137,197)	-	12,560,010	-	(12,560,010)	-
	\$ 35,037,434	\$ 16,609,638	\$ (13,137,197)	\$ 38,509,875	\$ 33,414,084	\$ 17,053,350	\$ (12,560,010)	\$ 37,907,424
Liabilities and Net Assets								
Current Liabilities:								
Current portion of long-term debt	\$ -	\$ 637,597	\$ -	\$ 637,597	\$ -	\$ 608,438	\$ -	\$ 608,438
Accounts payable and accrued expenses	1,738,978	1,125	-	1,740,103	1,646,312	1,125	-	1,647,437
	1,738,978	638,722	-	2,377,700	1,646,312	609,563	-	2,255,875
Due to affiliate	-	13,137,197	(13,137,197)	-	-	12,560,010	(12,560,010)	-
Long-term debt	-	8,126,579	-	8,126,579	-	8,757,184	-	8,757,184
Net assets:								
Without donor restrictions	33,298,456	(5,292,860)	-	28,005,596	31,767,772	(4,873,407)	-	26,894,365
	\$ 35,037,434	\$ 16,609,638	\$ (13,137,197)	\$ 38,509,875	\$ 33,414,084	\$ 17,053,350	\$ (12,560,010)	\$ 37,907,424

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Consolidating Statements of Activities

For the years ended June 30,	2023				2022			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Support and revenue:								
Enrollment fees:								
Resident students	\$ 11,673,216	\$ -	\$ -	\$ 11,673,216	\$ 11,814,650	\$ -	\$ -	\$ 11,814,650
Resident students with disabilities	503,018	-	-	503,018	470,678	-	-	470,678
Contributions:								
Federal awards	2,534,690	-	-	2,534,690	2,973,417	-	-	2,973,417
State and other awards	15,051	-	-	15,051	61,769	-	-	61,769
In-kind	64,145	-	-	64,145	56,533	-	-	56,533
Food service	23,402	-	-	23,402	9,811	-	-	9,811
Rental income	-	1,115,840	(1,115,840)	-	-	1,115,840	(1,115,840)	-
Interest income	577,187	-	(577,187)	-	551,661	-	(551,661)	-
Investment activity	196,488	-	-	196,488	(273,168)	-	-	(273,168)
Other income	32,121	3,139	-	35,260	33,951	35,997	-	69,948
Total support and revenue	15,619,318	1,118,979	(1,693,027)	15,045,270	15,699,302	1,151,837	(1,667,501)	15,183,638
Expenses:								
Program expenses:								
Regular education	9,254,718	1,133,479	(1,250,791)	9,137,406	9,135,025	1,250,522	(1,290,967)	9,094,580
Special education	1,373,375	132,897	(146,652)	1,359,620	1,146,248	122,605	(126,570)	1,142,283
Other programs	2,072,580	148,231	(163,573)	2,057,238	1,620,433	118,426	(122,256)	1,616,603
Total program expenses	12,700,673	1,414,607	(1,561,016)	12,554,264	11,901,706	1,491,553	(1,539,793)	11,853,466
Supporting services:								
Management and general	1,387,961	123,825	(132,011)	1,379,775	1,107,537	125,297	(127,708)	1,105,126
Total expenses	14,088,634	1,538,432	(1,693,027)	13,934,039	13,009,243	1,616,850	(1,667,501)	12,958,592
Change in net assets	1,530,684	(419,453)	-	1,111,231	2,690,059	(465,013)	-	2,225,046
Net assets - beginning	31,767,772	(4,873,407)	-	26,894,365	29,077,713	(4,408,394)	-	24,669,319
Net assets - ending	\$ 33,298,456	\$ (5,292,860)	\$ -	\$ 28,005,596	\$ 31,767,772	\$ (4,873,407)	\$ -	\$ 26,894,365

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
<u>U.S. Department of Education</u>			
Passed through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-23-4035	\$ 404,715
Supporting Effective Instruction State Grants	84.367	0147-23-4035	48,665
Supporting Effective Instruction State Grants	84.367	0147-22-4035	10,000
Student Support and Academic Enrichment Program	84.424	0204-23-4035	17,953
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-4035	501,258 ¹
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-4035	787,209 ¹
Total U.S. Department of Education			<u>1,769,800</u>
<u>U.S. Department of Agriculture</u>			
Passed through the New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	236,476 ²
National School Lunch Program	10.555	N/A	528,414 ²
Passed through the New York State Office Of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	64,145 ²
Total U.S. Department of Agriculture			<u>829,035</u>
Total Expenditures of Federal Awards			<u>\$ 2,598,835</u>

¹ Total Education Stabilization Fund - \$1,288,467

² Total Child Nutrition Cluster - \$829,035

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 (SEFA) 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 SEFA.

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, 2023, the School used \$64,145 worth of commodities under the National School Lunch Program (Assistance Listing 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 financial statements of South Buffalo Charter School and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2023, 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 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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.



October 31, 2023

**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

Opinion on 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, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization'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 the Organization's federal programs.

Auditors' 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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 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 Auditors' 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.

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

October 31, 2023

Schedule of Findings and Questioned CostsFor the year ended June 30, 2023

Section I. Summary of Auditors' ResultsConsolidated 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	Assistance Listing Number	Amount
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 236,476
National School Lunch Program	10.555	592,559
Education Stabilization Fund	84.425	1,288,467
		<u>\$ 2,117,502</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.

MANAGEMENT LETTER

October 31, 2023

The Board of Trustees and Management
South Buffalo Charter School and Affiliate

In planning and performing our audit of the consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This information is intended solely for the use of the Board of Trustees and management of the Organization. It is not intended to be, and should not be, used by anyone other than these specified parties.

