

BUFFALO COMMONS CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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, 2024, 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 audit 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. 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 Buffalo Commons Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Buffalo Commons Charter School will continue as a going concern. As discussed in Note 5 to the financial statements, the Buffalo Commons Charter School has suffered recurring operating losses, has a net deficiency in unrestricted net assets, and has stated that substantial doubt exists about Buffalo Commons Charter School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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.

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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Buffalo Commons Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Buffalo Commons Charter School's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2025 on our consideration of Buffalo Commons Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Buffalo Commons Charter School'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 Buffalo Commons Charter School's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Buffalo Commons Charter School's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kurants & Associates CPAs, PLLC

Buffalo, New York
March 13, 2025

BUFFALO COMMONS CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	2024	2023
Cash and cash equivalents	\$ 141,645	\$ 141,278
Restricted cash	50,000	25,000
Grants and other receivables	31,428	5,894
Prepaid expenses	2,441	20,108
TOTAL CURRENT ASSETS	225,514	192,280
Property and equipment, net of accumulated depreciation	131,346	140,187
Right of use asset - lease (note 6)	13,677	172,040
TOTAL ASSETS	\$ 370,537	\$ 504,507
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 93,425	\$ 69,899
Accrued expenses	72,890	67,681
Current portion of lease liability (note 6)	17,327	195,681
Refundable advances	165,330	228,827
TOTAL CURRENT LIABILITIES	348,972	562,088
Long-term portion of lease liability (note 6)	-	17,327
TOTAL LIABILITIES	348,972	579,415
NET ASSETS (DEFICIT)		
Net deficit	(86,274)	(84,363)
Net assets with donor restrictions	107,839	9,455
TOTAL NET ASSETS (DEFICIT)	21,565	(74,908)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 370,537	\$ 504,507

See independent auditors' report and accompanying notes to financial statements.

**BUFFALO COMMONS CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024</u>	<u>2023</u>
SUPPORT AND REVENUE				
Per pupil revenue - regular education	\$ 1,073,833	\$ -	\$ 1,073,833	\$ 726,620
Per pupil revenue - special education	164,451	-	164,451	33,709
Federal and State grants	149,670	-	149,670	491,384
Private grants and contributions	11,230	130,884	142,114	12,500
Fundraising income	8,871	-	8,871	6,451
Other income	7,120	-	7,120	33,633
Net assets released from restrictions	32,500	(32,500)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,447,675</u>	<u>98,384</u>	<u>1,546,059</u>	<u>1,304,297</u>
EXPENSES				
Program Services				
Regular education	906,913	-	906,913	910,649
Special education	68,814	-	68,814	57,301
Other programs	73,954	-	73,954	68,570
Total program services	<u>1,049,681</u>	<u>-</u>	<u>1,049,681</u>	<u>1,036,520</u>
Management and general	399,905	-	399,905	380,950
TOTAL EXPENSES	<u>1,449,586</u>	<u>-</u>	<u>1,449,586</u>	<u>1,417,470</u>
INCREASE (DECREASE) IN NET ASSETS	(1,911)	98,384	96,473	(113,173)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(84,363)</u>	<u>9,455</u>	<u>(74,908)</u>	<u>38,265</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (86,274)</u>	<u>\$ 107,839</u>	<u>\$ 21,565</u>	<u>\$ (74,908)</u>

See independent auditors' report and accompanying notes to financial statements.

**BUFFALO COMMONS CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With comparative totals for the year ended June 30, 2023)**

	No. of Positions	Regular Education	Special Education	Other Programs	Total Program Services	Management and General	2024	2023
Personnel Services Costs								
Administrative Staff	3	\$ -	\$ -	\$ -	\$ -	\$ 180,513	\$ 180,513	\$ 176,214
Instructional Staff	11	440,919	39,883	41,644	522,446	-	522,446	465,406
Total	14	440,919	39,883	41,644	522,446	180,513	702,959	641,620
Fringe benefits and payroll taxes		103,355	8,203	9,843	121,401	42,655	164,056	126,773
Retirement		19,178	1,522	1,826	22,526	7,915	30,441	23,104
Professional fees		24,650	-	-	24,650	59,925	84,575	119,725
Occupancy costs		149,214	9,326	9,326	167,866	18,652	186,518	186,180
Repairs and maintenance		47,565	2,973	2,973	53,511	5,946	59,457	40,275
Insurance		-	-	-	-	13,173	13,173	11,817
Supplies and materials		56,169	3,121	3,121	62,411	-	62,411	80,741
Staff development		684	-	-	684	-	684	13,527
Marketing and recruitment		-	-	-	-	56,147	56,147	79,442
Technology		41,394	2,299	2,299	45,992	-	45,992	58,280
Office expense		-	-	-	-	8,038	8,038	6,809
Depreciation		23,785	1,487	1,487	26,759	2,973	29,732	26,202
Other		-	-	1,435	1,435	3,968	5,403	2,975
		<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>	<u>\$ 1,417,470</u>

See independent auditors' report and accompanying notes to financial statements.

**BUFFALO COMMONS CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from public school districts	\$ 1,213,633	\$ 757,838
Cash received from federal, state, and local grants	85,290	593,107
Cash received from contributions	142,114	12,500
Cash received from other sources	15,991	40,084
Payments to employees for services and benefits	(892,247)	(726,433)
Payments to vendors and suppliers	(518,523)	(549,847)
Net cash provided by operating activities	<u>46,258</u>	<u>127,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(20,891)	(119,980)
Net cash used in investing activities	<u>(20,891)</u>	<u>(119,980)</u>
INCREASE IN CASH	25,367	7,269
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>166,278</u>	<u>159,009</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 191,645</u>	<u>\$ 166,278</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 96,473	\$ (113,173)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	29,732	26,202
Changes in assets and liabilities:		
Grants and other receivables	(25,534)	(5,894)
Prepaid expenses	17,667	(6,200)
Right of use asset	158,363	(172,040)
Accounts payable	23,526	15,156
Accrued expenses	5,209	65,064
Lease liability	(195,681)	213,008
Refundable advance	(63,497)	105,126
Net cash provided by operating activities	<u>\$ 46,258</u>	<u>\$ 127,249</u>
SUPPLEMENTAL SCHEDULE OF NONCASH FLOW INFORMATION:		
Right-of-use asset - operating	<u>\$ -</u>	<u>\$ 323,996</u>
Lease liability	<u>\$ -</u>	<u>\$ 323,996</u>

See independent auditors' report and accompanying notes to financial statements.

**BUFFALO COMMONS CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 (\$86,274) and (\$84,363) for the years ended June 30, 2024 and 2023, 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, 2024 and 2023 in the amount of \$107,839 and \$9,455, respectively.

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 not fully funded as of June 30, 2024 and 2023 and is shown as “restricted cash” in the accompanying statement of financial position.

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 77 and 54 students for the years ended June 30, 2024 and 2023, respectively.

**BUFFALO COMMONS CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Organization 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.

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 organization 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.

Adoption of FASB ASC 842

Effective July 1, 2022, the Organization adopted ASU No. 2016-02, Leases (Topic 842). The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The adoption of FASB ASC 842 resulted in the recognition of right-of-use-asset in the amount of \$323,966 and operating lease liability of \$323,966 as of July 1, 2022. The adoption of FASB ASC 842 did not have a material impact on the School's statement of activities or statement of cash flows.

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.

**BUFFALO COMMONS CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reclassifications

Reclassifications have been made to certain prior year balances in order to conform to the current year presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation consisted of the following at June 30, 2024 and 2023:

	2024	2023
Leasehold improvements	\$ 8,260	\$ 8,260
Furniture & fixtures	180,830	159,939
Less: accumulated depreciation	<u>(57,744)</u>	<u>(28,012)</u>
	<u>\$ 131,346</u>	<u>\$ 140,187</u>

Depreciation expense for the years ended June 30, 2024 and 2023 amounted to \$29,732 and \$26,202, 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, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 141,645	\$ 141,278
Grants and other receivables	<u>31,428</u>	<u>5,894</u>
Total financial assets	173,073	147,172
Less amounts not available to be used in one year:		
Net assets with donor restrictions	<u>(107,839)</u>	<u>(9,455)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 65,234</u>	<u>\$ 137,717</u>

**BUFFALO COMMONS CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2024 in the amount of \$107,839 consist of unspent grant funds restricted for an early literacy program. The net assets with donor restrictions as of June 30, 2023 in the amount of \$9,455 were restricted for a leadership training program.

NOTE 5 – 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.

Going Concern

The School reported a decrease in net assets without donor restrictions of (\$1,911) during the year ended June 30, 2024 and has an accumulated deficit in the amount of (\$86,274) as of June 30, 2024. As of June 30, 2024, the School's current liabilities exceeded its current assets by approximately \$123,458. Those factors, as well as the uncertain conditions that the School faces regarding a federal grant, create substantial doubt about the School's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

The School began operations in the 2022-2023 school year offering classes from kindergarten through first grade. In May 2024, the School requested that their authorizer, State University of New York Charter School Institute, allow the School to reduce enrollment per grade from their original charter plan. Although this will reduce projected revenue, the enrollment reduction from the original charter will result in fewer teachers hired.

The Board of Trustees of the School has evaluated these conditions and is currently in the process of trying to obtain a line of credit and reducing and delaying payment of expenditures. The ability of the School to continue as a going concern and meet its obligations as they become due is dependent on the School's ability to defer payment of the federal grant disallowed costs of \$165,330.

NOTE 6 – LEASES

The School leased space in Buffalo, New York through July 31, 2024. The lease was renewed subsequent to June 30, 2024 year end and expires July 31, 2027. The monthly lease payment was \$10,927 through July 2023 and increased to \$17,403 effective August 2023. The present value of the School's lease liability after adoption of ASU No. 2016-02, Leases (Topic 842) 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.

**BUFFALO COMMONS CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 6 – LEASES (continued)

The following are operating lease costs reported in the Statement of Functional Expenses (included in “occupancy costs”) for the year ended June 30, 2024 and 2023:

	2024	2023
Operating lease costs	<u>\$ 165,039</u>	<u>\$ 165,039</u>

The following summarizes the line items in the balance sheet which include amounts for operating leases as of June 30, 2024 and 2023:

	2024	2023
Right of use asset - lease	<u>\$ 13,677</u>	<u>\$ 172,040</u>
Current portion of lease liability	\$ 17,327	\$ 195,681
Long-term portion of lease liability	-	17,327
Total lease liability	<u>\$ 17,327</u>	<u>\$ 213,008</u>

The maturities of operating lease liability as of June 30, 2024 are as follows:

Total lease payments - 2025	\$ 17,403
Less: Interest	<u>(76)</u>
Present value of lease liability	<u>\$ 17,327</u>
Lease payable, current portion	\$ 17,327
Lease payable, long-term portion	-
Total lease liability	<u>\$ 17,327</u>

NOTE 7 - 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, 2024 and 2023 was \$30,441 and \$23,104, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 13, 2025 (the date on which the financial statements were available to be issued).

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 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 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 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 items # 2024-001, 2024-002 and 2024-003.

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 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.

Kenneth A. Associates CPAs, PLLC

Buffalo, New York
March 13, 2025.

BUFFALO COMMONS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

#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.

#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, 2024.

Criteria: Pursuant to the School's charter agreement, the school is required to increase the dissolution reserve to \$50,000 by June 30, 2024.

Cause: The School did not increase the dissolution reserve bank account by June 30, 2024.

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.

BUFFALO COMMONS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

#2024-003 (compliance and other matters)

Condition: The school did not submit the audit for the year ended June 30, 2024 by the required due date of November 1, 2024.

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, 2024 due date.

Effect: The school is not in compliance with the requirement to have its audit submitted by November 1, 2024.

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.

BUFFALO COMMONS CHARTER SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

#2023-001 (Financial Reporting – Material Weakness in Internal Control and Compliance Matter)

Finding: 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 support for requests for grant advances that agreed to the books and records. Additionally, there were \$10,564 in known questioned costs detected as part of the audit procedures in which final grant expenditures reported for the 2022-2023 school year for the CSP grant exceeded 110% of the budgeted allowable expenditures. 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. The unknown questions costs that were incurred subsequent to June 30, 2023 year-end could not be determined. The CSP grant funds were not properly paid or supported by the client information.

Status: Repeat finding. See current year finding 2024-001.

#2023-002 (Compliance and Other Matters)

Finding: The School did not have the Initial Statement of Internal Controls agreed-upon procedures engagement completed as required by its authorizer. Pursuant to the SUNY Charter School Institute Audit Guide, the school was required to have an agreed upon procedures of its initial statement of controls completed by an independent accountant.

Status: The School periodically reviews its financial policies and procedures to adapt to changes as the School expands by adding grades and staff positions. During 2025, management of the School plans to formally review and adopt changes in financial policies and procedures.

#2023-003 (Compliance and Other Matters)

Finding: The school did not establish a reserve for dissolution in the amount of \$25,000 as required by the school's authorizer before June 30, 2023. Pursuant to the School's charter agreement, the school is required to fund a dissolution reserve in the amount of \$25,000 in its first year of operations. The School did not comply with the requirement to fund a dissolution reserve.

Status: In June 2024, the School established a reserve account in the amount of \$25,000 representing the required funding for its first year of operations.

#2023-004 (Compliance and Other Matters)

Finding: The School did not submit its first audit by the required due date of November 1, 2023. The School is required to have its first audit after the first year of operations, which was due November 1, 2023. The School's books and records were not ready for audit by the November 1, 2023 due date and independent auditors were not engaged until after the audit was due.

Status: Repeat finding. See current year finding 2024-003.