

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**

Audited Consolidated Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2024

## **Buffalo Creek Academy**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Buffalo Creek Academy Charter School

### ***Qualified Opinion***

We have audited the consolidated financial statements of Buffalo Creek Academy Charter School, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net (deficiency) assets, the consolidated functional expenses, and the consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Buffalo Creek Academy Charter School as of June 30, 2024, and the consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified Opinion***

As disclosed in Note 14, as of June 30, 2024, Buffalo Creek Academy Charter School had a deficiency in net assets without donor restrictions amounting to \$2,116,271, and its current liabilities exceeded current assets by \$2,565,086, indicating significant financial strain. Additionally, the School's ability to continue operations beyond July 31, 2025, is dependent on a successful charter renewal with the State University of New York (SUNY), which has issued a preliminary non-renewal notification.

We were unable to obtain sufficient appropriate audit evidence to conclude on the likelihood of the Buffalo Creek Academy Charter School achieving its future planned enrollment targets, its budgeted financials for future years, and the successful outcome of the charter recertification process. Consequently, we are unable to determine whether any adjustments might be necessary in relation to these matters.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Buffalo Creek Academy Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Buffalo Creek Academy Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated 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 it 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 aggregate, they would influence the judgement made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Creek Academy Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Buffalo Creek Academy Charter School's ability to continue as a going concern for a reasonable period of time.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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.

***Report on Summarized Comparative Information***

The financial statements of Buffalo Creek Academy Charter School as of and for the year ended June 30, 2023, were audited by other auditors whose report dated January 3, 2024, expressed an unmodified opinion on those statements. 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 was derived.

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

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2025, on our consideration of Buffalo Creek Academy 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 control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Buffalo Creek Academy Charter School's internal control over financial reporting and compliance.

*RLN US LLP*

New York, New York  
January 14, 2025

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2024**

(With Comparative Totals for 2023)

<u>ASSETS</u>	June 30,	
	2024	2023
<b>CURRENT ASSETS</b>		
Cash	\$ 151,411	\$ -
Grants and other receivables	14,725	123,937
Prepaid expenses and other current assets	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>166,136</b>	<b>\$ 123,937</b>
PROPERTY AND EQUIPMENT, net	338,630	484,491
<b>OTHER ASSETS</b>		
Cash in escrow	500	50,000
Other assets	32,233	25,033
Right-of-use asset - operating	5,304,097	4,729,310
<b>TOTAL OTHER ASSETS</b>	<b>5,336,830</b>	<b>4,804,343</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,841,596</b>	<b>\$ 5,412,771</b>
 <b>LIABILITIES AND NET DEFICIENCY</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ -	\$ 46,119
Current portion of long-term debt	-	40,740
Revolving loan	-	741,382
Accounts payable and accrued expenses	524,904	716,920
Accrued payroll and benefits	172,879	147,492
Accrued interest payable	22,810	30,086
Current portion of lease liability - operating	983,973	261,549
Short-term debt	1,026,656	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 2,731,222</b>	<b>\$ 1,984,288</b>
<b>OTHER LIABILITIES</b>		
Deferred lease liability		-
Long-term debt	100,000	44,260
Long-term lease liability - operating	5,126,645	4,597,561
<b>TOTAL LIABILITIES</b>	<b>\$ 7,957,867</b>	<b>\$ 6,626,109</b>
<b>NET (DEFICIENCY) ASSETS</b>		
Without donor restrictions	(2,116,271)	(1,234,528)
With donor restrictions	-	21,190
<b>TOTAL NET (DEFICIENCY) ASSETS</b>	<b>(2,116,271)</b>	<b>(1,213,338)</b>
<b>TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS</b>	<b>\$ 5,841,596</b>	<b>\$ 5,412,771</b>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS**  
**YEAR ENDED JUNE 30, 2024**  
(With Comparative Totals for 2023)

	Year ended June 30			
	2024			2023
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$2,301,318	\$ -	\$2,301,318	\$2,642,604
Students with disabilities	73,984	-	73,984	96,734
Grants and contracts:				
Federal - Title and IDEA	106,226	-	106,226	132,929
Federal - other	-	-	-	179,469
Other revenue	6,781	-	6,781	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>2,488,309</b>	<b>-</b>	<b>2,488,309</b>	<b>3,051,736</b>
Expenses:				
Program:				
Regular education	2,262,839	-	2,262,839	2,550,359
Special education	295,903	-	295,903	232,037
<b>TOTAL PROGRAM SERVICES</b>	<b>2,558,742</b>	<b>-</b>	<b>2,558,742</b>	<b>2,782,396</b>
Management and general	1,470,718	-	1,470,718	1,566,308
<b>TOTAL OPERATING EXPENSES</b>	<b>4,029,460</b>	<b>-</b>	<b>4,029,460</b>	<b>4,348,704</b>
<b>DEFICIT FROM SCHOOL OPERATIONS</b>	<b>(1,541,151)</b>	<b>-</b>	<b>(1,541,151)</b>	<b>(1,296,968)</b>
Support and other revenue:				
Contributions:				
Foundations	320,000	-	320,000	30,121
Individuals	314,218	-	314,218	99,751
Corporations	4,000	-	4,000	5,000
Net assets released from restriction	21,190	(21,190)	-	-
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>659,408</b>	<b>(21,190)</b>	<b>638,218</b>	<b>134,872</b>
<b>CHANGE IN NET (DEFICIENCY) ASSETS</b>	<b>(881,743)</b>	<b>(21,190)</b>	<b>(902,933)</b>	<b>(1,162,096)</b>
Net (deficiency) assets at the beginning of year	<b>(1,234,528)</b>	<b>21,190</b>	<b>(1,213,338)</b>	<b>(51,242)</b>
<b>NET (DEFICIENCY) ASSETS AT END OF YEAR</b>	<b>\$(2,116,271)</b>	<b>\$ -</b>	<b>\$(2,116,271)</b>	<b>\$(1,213,338)</b>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**  
(With Comparative Totals for 2023)

	No of positions	Program Services			Supporting Services	Total Expenses	Total Expenses
		Regular education	Special Education	Sub-total	Management and General	6/30/24	6/30/2023
Personnel services costs:							
Administrative staff personnel	<u>12</u>	\$ 218,466	\$ 29,791	\$ 248,257	\$ 461,048	\$ 709,305	\$ 818,280
Instructional personnel	<u>30</u>	850,691	116,003	966,694	-	966,694	985,238
Total personnel services costs		1,069,157	145,794	1,214,951	461,048	1,675,999	1,803,518
Fringe benefits and payroll taxes		226,034	11,896	237,930	117,189	355,119	467,877
Retirement		74,607	3,927	78,534	38,681	117,215	55,238
Legal services		-	-	-	69,850	69,850	76,695
Accounting/Audit services		-	-	-	28,500	28,500	37,025
Management Company Fees		-	-	-	6,702	6,702	-
Other Purchased/Professional/Consulting Services		23,877	3,591	27,468	247,205	274,673	459,927
Building rent		461,882	69,456	531,338	93,766	625,104	448,678
Repairs and maintenance		103,816	15,609	119,425	21,075	140,500	159,967
Insurance		96,529	14,518	111,047	19,596	130,643	88,098
Utilities		13,572	2,041	15,613	2,755	18,368	14,381
Supplies/Materials		28,906	4,342	33,248	-	33,248	168,922
Equipment/Furnishings		7,058	1,061	8,119	902	9,021	10,775
Marketing/Recruitment		20,281	3,050	23,331	10,921	34,252	32,892
Technology		7,424	1,116	8,540	2,846	11,386	12,189
Student services		47,909	7,203	55,112	-	55,112	63,893
Office expense		15,524	2,335	17,859	53,576	71,435	114,304
Depreciation		66,263	9,964	76,227	69,634	145,861	137,146
Interest expense		-	-	-	-	-	110,616
Bad debt expense		-	-	-	71,423	71,423	-
District Service Fees		-	-	-	10,159	10,159	-
Other		-	-	-	144,890	144,890	56,654
Total		<u>\$ 2,262,839</u>	<u>\$ 295,903</u>	<u>\$ 2,558,742</u>	<u>\$1,470,718</u>	<u>\$4,029,460</u>	<u>\$ 4,348,704</u>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL  
CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2024**

(With Comparative Totals for 2023)

	Year ended June 30,	
	2024	2023
<b>CASH FLOWS - OPERATING ACTIVITIES</b>		
Change in net (deficiency) assets	\$ (902,933)	\$ (1,162,096)
Adjustments to reconcile change in net (deficiency) assets to net cash (used for) provided from operating activities:		
Depreciation	145,861	137,146
Bad Debt	71,423	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	37,789	148,785
Prepaid expenses and other current assets	-	16,000
Other assets	(7,200)	-
Accounts payable and accrued expenses	(192,016)	515,902
Accrued payroll and benefits	25,387	25,486
Accrued interest payable	(7,276)	5,983
Deferred lease liability	-	(83,366)
Operating lease liability, net of right of use asset	676,721	129,800
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(152,244)	(266,360)
<b>CASH FLOWS - INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(194,334)
NET CASH (USED FOR) INVESTING ACTIVITIES	-	(194,334)
<b>CASH FLOWS - FINANCING ACTIVITIES</b>		
Repayment of long-term debt	-	(174,422)
Borrowings on long-term debt	55,740	85,000
Borrowings on short-term debt	985,916	-
Borrowings on revolving loan	-	776,500
Repayments on revolving loan	(741,382)	(449,231)
Increase in bank overdraft	(46,119)	46,119
NET CASH PROVIDED FROM FINANCING ACTIVITIES	254,155	283,966
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	101,911	(176,728)
Cash and restricted cash at beginning of year	50,000	226,728
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 151,911	\$ 50,000

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd**  
**YEAR ENDED JUNE 30, 2024**  
(With Comparative Totals for 2023)

	2024	2023
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 129,388	\$104,633
Reconciliation of cash reported within the consolidated statement of financial position that sum to the total amounts shown in the consolidated statement of cash flows:		
Cash	\$ 151,411	\$ -
Cash in escrow	500	50,000
Total cash and restricted cash shown in the statement of cash flows	\$ 151,911	\$ 50,000
<b>NON-CASH OPERATING AND INVESTING ACTIVITIES</b>		
Other assets transferred to property and equipment	\$ -	\$ -

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**Note 1 – Organization and Purpose**

Buffalo Creek Academy Charter School (the “BCACS”) is an educational corporation that operates as a charter school in Buffalo, New York. On January 2, 2020, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years through July 31, 2025. Through rigor and structure, BCACS prepares fifth through twelfth grade students to graduate from college and positively impact the community.

Friends of Buffalo Creek, Inc. (“Friends”) is a Not-for-Profit organization that operates as a separate legal entity from BCACS. Friends was formed on December 21, 2020, and began operations in September 2021 with the sole purpose of undertaking and conducting activities for charitable purposes for BCACS.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of accounting

The accompanying consolidated financial statements include the accounts of BCACS and Friends (collectively referred to as the “Charter School”).

b. Basis of presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter 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.

These classes of net assets are defined as follows:

- Net Assets Without Donor Restrictions – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.
- Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates

that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$0 and \$21,190 of net assets with donor restrictions at June 30, 2024 and 2023, respectively.

c. Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

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

➤ Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Grants and other receivables	\$ 14,725	\$ 44,638

➤ Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

➤ Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and other receivables in the accompanying statement of financial position. There were no deferred revenues as of June 30, 2024, and 2023.

d. Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed the insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

e. Cash in escrow

The Charter School is required to maintain cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 to be placed in Escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. As of June 30, 2023, the Charter School has funded \$50,000. As of June 30, 2024, the Charter School had only funded \$500 in the escrow account.

f. Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts as of June 30, 2024, and 2023.

g. Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years. Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale

or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

h. Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require “specialized skills” and would typically not be purchased if they were not contributed. In addition, the Charter School receives special education, transportation, speech, occupational therapy and food services from the local districts.

i. Tax exempt status

BCACS and Friends are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

BCACS and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends also files in New York State. The tax returns for the years ending June 30, 2020 through June 30, 2024 are still subject to potential audit by the IRS and NYS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

j. Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximately \$34,250 and \$32,900 for the years ended June 30, 2024, and 2023, respectively.

k. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

l. Comparatives for the period ended June 30, 2023

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School’s consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

m. Leases

The Charter School leases a facility and determines if the arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying consolidated statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

n. Adoption of new accounting standard – credit losses

FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School adopted the ASU 2016-13 with the date of initial application of July 1, 2023, and the adoption did not have a material impact on the financial statements.

o. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

p. Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through January 14, 2025, which is the date the financial statements are available to be issued.

**Note 3 – Liquidity and availability**

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service, and supporting those activities to be general expenditures.

As of June 30, 2024, the Charter School faced challenges in meeting short-term obligations, as current assets are insufficient to cover short-term liabilities. This indicates potential challenges in meeting obligations as they become due over the next 12 months.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following June 30, 2024, and 2023:

	June 30,	
	2024	2023
Cash	\$ 151,411	\$ -
Grants and other receivables	14,725	123,937
Total financial assets available within one year	166,136	123,937
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	-	(21,190)
Total amounts unavailable to management for general expenditures within one year	-	(21,190)
Total financial assets available to management for general expenditures within one year	\$ 166,136	\$ 102,747

#### Note 4 - Property and equipment

Property and equipment consist of the following:

	June 30,	
	2024	2023
Furniture and fixtures	\$ 176,582	\$ 176,582
Equipment	5,181	5,181
Computer equipment	413,400	413,401
Vehicles	135,804	135,804
	730,968	730,968
Less accumulated depreciation	(392,338)	(246,477)
	\$ 338,630	\$ 484,491

#### Note 5 - Short term debt

	June 30,	
	2024	2023
Short-term debt - foundations	\$ 928,292	\$ 40,740
Short-term debt - vendors	68,364	-
Short-term debt - individuals	30,000	-
	\$ 1,026,656	\$ 40,740

The interest rates for the short-term debt as of June 30, 2024, ranged from 4.43% to 10%, depending on the specific loan terms.

As of June 30, 2024, short-term debt included \$768,292 owed to The Cullen Foundation of Western New York. This amount was forgiven on January 13, 2025.

**Note 6 – Revolving Loan**

On January 12, 2022, the Charter School entered into a revolving loan agreement with a third party, which allowed the Charter School to draw up to \$750,000. The loan bore interest at 5.70% plus the prime rate (effective rate of 13.95% as of June 30, 2023). The note was secured by the Charter School's assets. The revolving loan is subject to reporting and financial covenants. At June 30, 2023, the Charter School was not in compliance with such covenants. The third party waived these covenants by letter dated November 9, 2023.

The revolving loan agreement was amended in August 2023 and November 2023 to increase the amount available to draw up to \$1,050,000.

The full repayment of the revolving loan during fiscal year 2024 was facilitated by revenue generated by the Charter School. As part of the repayment process the third party withheld payments received from the district, which contributed to the full settlement of the outstanding loan balance.

**Note 7 – Net Deficiency Assets**

Net (deficiency) assets without donor restrictions consist of the following:

	June 30,	
	2024	2023
Undesignated net (deficiency) assets	\$ (1,777,641)	\$ (1,719,019)
Invested property and equipment	338,630	484,491
	<u>\$ (2,116,271)</u>	<u>\$ (1,234,528)</u>

Net assets with donor restrictions consist of the following:

	June 30,	
	2024	2023
Subject to expenditure for specified purpose		
Bus campaign	\$ -	\$ 690
Professional development	-	7,700
Winter tournament	-	2,800
	<u>\$ -</u>	<u>\$ 21,190</u>

## Note 8 – School Facilities

In November 2020, the Charter School entered into a lease agreement with a third party to rent a facility commencing on the date the Charter School takes possession of the premises. The Charter School moved into the facility during July 2021. A security deposit of \$25,033 was paid relative to this lease.

The base monthly rent for the facility is \$37,503 and \$33,092 for the years ending June 30, 2024, and 2023, respectively. While the total rent expense incurred was \$496,811 and \$443,538 for the years ended June 30, 2024, and 2023, respectively. Annual payments escalate through June 2031 with the option to extend for one five-year renewal term.

### Statement of Financial Position Classification

Assets			
Right-of-use asset - operating	Other assets		<u>\$ 5,304,097</u>
Liabilities			
Current portion of lease liability - operating	Current liabilities		983,973
Long-term lease liability - operating	Other liabilities		<u>5,126,645</u>
			<u>\$ 6,110,618</u>

The components of lease expense at June 30, 2024, were as follows:

Operating lease cost:	<u>\$ 496,811</u>
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As of June 30, 2024, minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2025	\$ 450,036
2026	450,036
2027	456,336
2028	456,336
2029	456,336
Thereafter	<u>4,314,828</u>
Total lease payments	6,583,908
Overdue payments	<u>676,721</u>
Less: interest	<u>(1,150,011)</u>
Present value of lease liabilities	<u>\$ 6,110,618</u>

Supplemental information for the year ended June 30, 2024:

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

Operating cash flows paid for operating leases:	\$194,000
Weighted-average remaining lease term:	12 years
Weighted-average discount rate:	2.88%

#### **Note 9 - Contingency**

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in a disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

#### **Note 10 - Concentrations**

The Charter School is dependent upon pupil funding from public school districts to carry out its operations. Approximately 96% of the School's total revenue for the year ended June 30, 2024 was received from Buffalo Public School District and other public districts (2023: 90%). The per-pupil rate is set annually by New York State based on the school district in which the Charter School's students are located.

#### **Note 11 - Retirement Plans**

The Charter School sponsors a 403(b)-retirement plan (the "Plan") for its employees. All employees are immediately eligible to participate in the Plan. The Charter School matches up to 3% of employee deferrals. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School contributed \$ 6,319 and \$12,212 to the Plan for the years ended June 30, 2024, and 2023 respectively.

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

The New York State Teachers' Retirement Board administers NYSTRS. The System 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods, Albany, NY 12211-2395.

The System is noncontributory for the employee. Contributions to the plan are based on employees' years of membership and contributions range from 3% to 6%. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The Charter School is required to contribute an employer contribution at an actuarially determined rate, currently 9.76% of the annual covered payroll for the fiscal year ended June

30, 2024. The rate applicable to the year ended June 30, 2023, was 10.29%. The Charter School's contributions made to the system was equal to 100% of the contributions required for each year. The required contributions were \$109,701 for the year ended June 30, 2024 and \$36,297 for the year ended June 30, 2023.

#### **Note 12 – Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

#### **Note 13 – Accounting Impact of Covid Outbreak**

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$175,389 of revenue relative to ESSER grants during the year ended June 30, 2023. No COVID relief grants were recognized during the year ended June 30, 2024.

#### **Note 14 – Management Plans**

As of June 30, 2024, the Charter School had a deficiency in net assets without donor restrictions of \$2,116,271 and current liabilities exceeded current assets by \$2,565,086.

Like many other schools in their initial years, the Charter School is navigating the complexities of enrollment and operating costs. The Charter School has not met its enrollment goals for the year ended June 30, 2023, and continues to fall short of its projected enrollment goals for the fiscal year June 30, 2024. The low enrollment has put significant pressure on the Charter School's overall financial position. Management has acted quickly and decisively to reduce operating expenses by approximately \$500,000 when it became apparent the enrollment was going to fall short of the goals. In addition, the Charter School has been working on restructuring the debt, engaging in negotiations with multiple sources to secure additional funds, and managing its outstanding accounts payable balance with key vendors. There has been progress made with outstanding liabilities to postpone payments with vendors until revenue can increase with enrollment increases primarily in the 2025-26 academic year. Further, on January 13, 2025, The Cullen Foundation forgave \$768,292 in current short debt notes.

The Charter School's changes to its recruitment activities have been tested in the September and October timeframe with favorable results. However, they will be implemented fully for the recruiting season for the 2025-2026 academic year. The expected increases in enrollment are projected to improve the financial position and begin paying aging of accounts payable balances in 2025-26 academic year.

The Charter School's charter, granted by the State University of New York (SUNY), is set to expire in July 2025. The Charter School initiated its charter renewal application in August 2024, and it is anticipated to be finalized no later than March 2025. As of the date of issuance of the financial statements, SUNY has issued a preliminary notification of non-renewal. This notification raises significant uncertainty regarding school's ability to continue operations

beyond the current academic year. Management is actively addressing SUNY's concerns, including providing detailed plans to address enrollment shortfalls, financial sustainability, loan forgiveness, and academic performance benchmarks required for renewal. Additionally, the Charter School has sought external legal and operational consultation to strengthen its renewal application.

Despite these challenges, management believes that the Charter School's corrective measures, including projected enrollment increases, cost reductions, and ongoing discussions with SUNY, will ultimately lead to the continuation of its operations and the approval of its charter renewal. Nevertheless, substantial doubt remains regarding the Charter School's ability to continue as a going concern, as the outcome of the renewal process is uncertain.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Note 15 – Subsequent Events**

The Charter School evaluated subsequent events through January 14, 2025, the date the financial statements were available to be issued, and identified the following significant events:

#### **1. Forgiveness of Promissory Notes by The Cullen Foundation**

On January 13, 2025, The Cullen Foundation of Western New York, Inc. forgave promissory notes totaling \$768,292. These notes, issued between October 30, 2023, and June 24, 2024, carried an annual interest rate of 7.25% with the earliest maturing on January 31, 2024, and the latest maturing on January 15, 2025. The forgiveness of these obligations significantly reduces the Charter School's short-term liabilities and improves its financial position.

#### **2. Lease Agreement Amendment and Landlord Concession**

On January 13, 2025, J-P Group, LLC, as the landlord for the Charter School's premises at 528 South Park Avenue, Buffalo, New York, agreed not to exercise its right to evict or dispossess the Charter School from the property or take legal action regarding past due lease payments through the end of the 2028-2029 school year. This concession is conditional upon the Charter School maintaining its charter status during this period. The landlord also expressed a commitment to working collaboratively with the Charter School to establish a payment plan aligned with the Charter School's financial capacity and enrollment growth. This resolution significantly alleviates the immediate risks associated with the non-payment of lease liabilities and supports the Charter School's operational stability.

#### **3. Commitment from EdTec Charter School Specialists on Past Due Balances**

EdTec Charter School Specialists, accounting services provider for the Charter School, confirmed its intent not to stop services or demand full payment for past due accounting balances in fiscal year 2025. EdTec acknowledges the Charter School's financial situation and has committed to continuing its support while the Charter School works to increase enrollment and address outstanding debts. EdTec further expressed confidence in the

Charter School's financial recovery plan, as reflected in the five-year budget, and expects that with positive enrollment trends, all past due balances will be paid in full in future years.

Management has determined that these subsequent events provide additional evidence about conditions that existed as of the statement of financial position date but do not require adjustments to the financial statements.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL  
OTHER CONSOLIDATING FINANCIAL INFORMATION  
INDEPENDENT AUDITOR'S REPORT ON OTHER CONSOLIDATING FINANCIAL INFORMATION**

Board of Trustees  
Buffalo Creek Academy Charter School

We have audited the consolidated financial statements of Buffalo Creek Academy Charter School as of and for the year ended June 30, 2024, and have issued our report thereon dated January 14, 2025, which contained a qualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2024 consolidating information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The 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. Except for the effects of the matters described on the basis for qualified opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*RLN US LLP*

New York, New York  
January 14, 2025

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**YEAR ENDED JUNE 30, 2024**

<u>ASSETS</u>	Buffalo Creek Academy Charter School	Friends of Buffalo Creek Academy Charter School	Pre-Consolidated Total	Eliminations	Total
<b>CURRENT ASSETS</b>					
Cash	\$ 150,672	\$ 739	\$ 151,411	\$ -	\$ 151,411
Grants and other receivables	14,725	-	14,725	-	14,725
<b>TOTAL CURRENT ASSETS</b>	<b>165,397</b>	<b>739</b>	<b>166,136</b>	<b>-</b>	<b>166,136</b>
PROPERTY AND EQUIPMENT, net	289,444	49,186	338,630	-	338,630
<b>OTHER ASSETS</b>					
Cash in escrow	500	-	500	-	500
Other assets	32,233	-	32,233	-	32,233
Right-of-use asset - operating	5,304,097	-	5,304,097	-	5,304,097
<b>TOTAL ASSETS</b>	<b>\$ 5,791,671</b>	<b>\$ 49,925</b>	<b>\$ 5,841,596</b>	<b>\$ -</b>	<b>\$ 5,841,596</b>
<b>LIABILITIES AND NET (DEFICIENCY) ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	515,967	8,937	524,904	-	524,904
Accrued payroll and benefits	172,879	-	172,879	-	172,879
Accrued interest payable	19,392	3,418	22,810	-	22,810
Current portion of lease liability - operating	983,973	-	983,973	-	983,973
Short-term Debt	941,656	85,000	1,026,656	-	1,026,656
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,633,867</b>	<b>97,355</b>	<b>2,731,222</b>	<b>-</b>	<b>2,731,222</b>
<b>OTHER LIABILITIES</b>					
Long-term debt	100,000	-	100,000	-	100,000
Long-term lease liability - operating	5,126,645	-	5,126,645	-	5,126,645
<b>TOTAL LIABILITIES</b>	<b>5,226,645</b>	<b>-</b>	<b>5,226,645</b>	<b>-</b>	<b>5,226,645</b>
<b>TOTAL LIABILITIES</b>	<b>7,860,513</b>	<b>97,355</b>	<b>7,957,867</b>	<b>-</b>	<b>7,957,867</b>
<b>NET (DEFICIENCY) ASSETS</b>					
Without donor restriction	(2,068,841)	(47,430)	(2,116,271)	-	(2,116,271)
With donor restrictions	-	-	-	-	-
<b>TOTAL NET (DEFICIENCY) ASSETS</b>	<b>(2,068,841)</b>	<b>(47,430)</b>	<b>(2,116,271)</b>	<b>-</b>	<b>(2,116,271)</b>
<b>TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS</b>	<b>\$ 5,791,671</b>	<b>\$ 49,925</b>	<b>\$ 5,841,596</b>	<b>\$ -</b>	<b>\$ 5,841,596</b>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS**  
**YEAR ENDED JUNE 30, 2024**

	Buffalo Creek Academy Charter School	Friends of Buffalo Creek Academy Charter School	Pre-Consolidated Total	Eliminations	Total
Revenue, gains and other support:					
Public school district:					
Resident student enrollment	\$ 2,301,318	\$ -	\$ 2,301,318	\$ -	\$ 2,301,318
Students with disabilities	73,984	-	73,984	-	73,984
Grants and contracts:					
Federal - Title and IDEA	106,226	-	106,226	-	106,226
Other revenue	6,781	-	6,781	-	6,781
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>\$ 2,488,309</u>	<u>-</u>	<u>2,488,309</u>	<u>-</u>	<u>2,488,309</u>
Expenses:					
Program:					
Regular education	2,255,001	7,838	2,262,839	-	2,262,840
Special education	294,731	1,172	295,903	-	295,903
TOTAL PROGRAM SERVICES	<u>2,549,732</u>	<u>9,010</u>	<u>2,558,742</u>	<u>-</u>	<u>2,558,742</u>
Management and general	1,458,900	115,818	1,574,718	(104,000)	1,470,718
TOTAL OPERATING EXPENSES	<u>4,008,632</u>	<u>124,828</u>	<u>4,133,460</u>	<u>(104,000)</u>	<u>4,029,460</u>
DEFICIT FROM SCHOOL OPERATIONS	(1,520,323)	(124,828)	(1,645,151)	(104,000)	(1,541,151)
Support and other revenue:					
Contributions:					
Foundations	310,000	30,000	340,000	(20,000)	320,000
Individuals	311,617	86,601	398,218	(84,000)	314,218
Corporations	4,000	-	4,000	-	4,000
TOTAL SUPPORT AND OTHER REVENUE	<u>625,617</u>	<u>116,601</u>	<u>742,218</u>	<u>(104,000)</u>	<u>638,218</u>
CHANGE IN NET (DEFICIENCY) ASSETS	(894,706)	(8,227)	(902,933)	-	(902,933)
Net (deficiency) assets at beginning of year	(1,174,135)	(39,203)	(1,213,338)	-	(1,213,338)
NET (DEFICIENCY) ASSETS AT END OF YEAR	<u>\$ (2,068,841)</u>	<u>\$ (47,430)</u>	<u>\$ (2,116,271)</u>	<u>\$ -</u>	<u>\$ (2,116,271)</u>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	Year ended June 30, 2024					
	No. of positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and General	
Personnel services costs:						
Administrative staff personnel	<u>12</u>	\$ 218,466	\$ 29,791	248,257	\$ 461,048	\$ 709,305
Instructional personnel	<u>30</u>	850,691	116,003	966,694	-	966,694
Total personnel services costs		1,069,157	145,794	1,214,951	461,048	1,675,999
Fringe benefits and payroll taxes		226,034	11,896	237,930	117,189	355,119
Retirement		74,607	3,927	78,534	38,681	117,215
Management Company Fees		-	-	-	6,137	6,137
Legal services		-	-	-	69,939	69,939
Accounting/Audit services		-	-	-	28,500	28,500
Other Purchased/Professional/Consulting Services		23,840	3,585	27,425	246,822	274,247
Building rent		461,882	69,456	531,338	93,766	625,104
Repairs and maintenance		101,172	15,214	116,386	20,539	136,925
Insurance		98,303	14,783	113,086	19,956	133,042
Utilities		13,572	2,041	15,613	2,755	18,368
Supplies/Materials		23,225	3,493	26,718	-	26,718
Equipment/Furnishings		7,058	1,061	8,119	902	9,021
Marketing/Recruitment		20,281	3,050	23,331	10,921	34,252
Technology		7,404	1,113	8,517	2,839	11,356
Student services		46,765	7,032	53,797	-	53,797
Office expense		15,438	2,322	17,762	53,280	71,040
Depreciation		66,263	9,964	76,227	48,738	124,965
Bad debt expense		-	-	-	71,423	71,423
District Service Fees		-	-	-	10,159	10,159
Other		-	-	-	155,306	155,306
Total		<u>\$ 2,255,001</u>	<u>\$ 294,731</u>	<u>\$2,549,732</u>	<u>\$ 1,458,900</u>	<u>\$4,008,632</u>

**BUFFALO CREEK ACADEMY CHARTER SCHOOL  
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**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***

Board of Trustees  
Buffalo Creek Academy Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of Buffalo Creek Academy Charter School, which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities and changes in net (deficiency) assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated January 14, 2025.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Buffalo Creek Academy Charter School's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buffalo Creek Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Buffalo Creek Academy Charter School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 to be a material weakness.

A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-003, 2024-005 and 2024-006 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Buffalo Creek Academy Charter School’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 consolidated 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 two instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2024-002 and 2024-004.

**Buffalo Creek Academy Charter School’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Buffalo Creek Academy Charter School’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Buffalo Creek Academy Charter School’s responses were 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RLN US LLP*  
New York, New York  
January 14, 2025

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-001**

*Statement of condition*

During our audit, we noted there were several significant auditor adjustments required to be recorded affecting grants and other receivables, other assets, accounts payable and accrued expenses, lease accounts, net assets, revenues and expenses. We consider this to be a material weakness in internal control over financial reporting.

*Criteria and effect of conditions*

The accounting books included several issues such as lack of accruals recordings in salaries, professional fees, and retirement contributions, duplicate recording of bills and bill credits, lack of updating lease calculation and recordings in relation to the change in terms of lease, lack of reclassifying items to appropriate category, lack of recordings in federal grants and grants receivables, lack of depreciation recording in FOBC. The net impact of these adjustments was material to the consolidated financial statements.

*Recommendation*

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records reconcile with the audited financial statements.

*Management response*

Management agrees with the recommendation. Transactional information in all these categories is communicated and recorded on a timely basis to Edtech, the Charter School's full-service accounting and financial management vendor. Management agrees to implement monthly reconciliations with Edtech with formal notes for adjustments that should be made. Management will review the year-end closing entries before providing to the independent auditors.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-002**

*Statement of condition*

During our audit, we noted the Charter School's escrow account amounted to \$500 as of June 30, 2024.

*Criteria and effect of conditions*

The State University of New York requires every charter school to create a dissolution reserve account for purposes of school closure and/or dissolution. After three years of operation a charter school is required to maintain a minimum balance in its escrow account of \$75,000, thus the Charter School was not in compliance with its charter school agreement nor the State University of New York's requirements for minimum escrow deposits. The Charter School was unable to fund the escrow account due to operational shortfalls.

*Recommendation*

The Charter School should take steps to ensure its escrow account is properly funded.

*Management response*

The Charter School needed to use the Dissolution Fund during the cash crisis in November 2023 through the first half of 2024. As shown by the cash deficits, Buffalo Creek was unable to replenish the Dissolution Fund by June 30, 2023. This was clearly communicated to SUNY Charter Institute through weekly Balance Sheets sent to them. Buffalo Creek expects to replenish this fund during 2025-2026 academic year as enrollment for 2025-26 rises.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-003**

Statement of condition

During our audit, we noted significant issues with the handling of expense accounts. Almost every expense account included instances of bills being recorded, followed by bill credits that cancelled those entries, and then checks issued for these payments. This pattern suggests a material weakness in the process of recording and managing expenses within the accounting system.

Criteria and effect of conditions

Our standard audit procedures revealed substantial complications, including the recording of bills, subsequent issuance of bill credits that cancel out the initial bills, and finalizing transactions with checks. These practices led to inaccuracies and unnecessary complexities in the expense accounts. The inconsistent handling and recording of transactions in this manner might lead to inaccuracies within the accounts by recording too many bills, too many bill credits, or checks. We encountered several cases where adjustments were needed (see Finding 2024-001).

Recommendation

We recommend that the Charter School establish a more stringent process for managing expenses. This should include implementing controls to ensure that expenses are recorded only once and are directly linked to corresponding payments, eliminating the practice of issuing credits that negate initial bills. Expenses should be recorded via bills or accruals, and payments should reduce the corresponding accounts payable. Monthly reviews of expense accounts should be conducted to verify that each entry is accurate and justified. Additionally, the Charter School should train staff involved in the whole process on proper expense recording techniques to prevent future discrepancies.

Management response

The Charter School will review Edtech's accounting procedures in a formal review. Monthly review sessions will be implemented. In 2024 when accounts payable procedures issues were brought to the Finance Committee of the Board, the Treasurer immediately required Edtech and the local accounts payable clerk to review their procedures and make both corrections. The changes were reported complete, and the training was done properly by November 2024.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-004**

*Statement of condition*

We were formally engaged as auditors on September 18, 2024, and kick-started the audit at the beginning of October for the fiscal year ended June 30, 2024. It was noted that the audited financial statements were not completed and submitted by the required deadline, which is October 31, 2024, suggesting the necessity for earlier finalization of the books and an earlier initiation of the audit process to adhere to established timelines.

*Criteria and effect of conditions*

Our standard audit procedures revealed substantial complications, including the recording of bills, subsequent issuance of bill credits that cancel out the initial bills, and finalizing transactions with checks. These practices led to inaccuracies and unnecessary complexities in the expense accounts. The inconsistent handling and recording of transactions in this manner might lead to inaccuracies within the accounts by recording too many bills, too many bill credits, or checks. During our audit, we encountered several cases where adjustments were needed (see Finding 2024-001).

*Recommendation*

To ensure that future audits are completed on time, we recommend that the Charter School finalize all books by July 31 and initiate the audit process by August 1. This adjustment in the schedule will allow for the audit to be conducted and finalized well within the required deadlines, ensuring compliance and timely reporting.

*Management response*

Management agrees that the books should be finalized by July 31st in 2025.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-005**

*Statement of condition*

In the audit confirmation provided by the Buffalo Public School District, liabilities were stated for previous school years. However, Buffalo Creek Academy claims it did not receive final reconciliations from the District for those school years. This lack of resolution has resulted in outstanding items that remain unreconciled.

*Criteria and effect of conditions*

Proper reconciliation is critical to ensuring accurate financial records and compliance with established accounting standards. The absence of final reconciliations for prior-year liabilities creates uncertainties that could result in misstated liabilities or disputes over financial obligations.

*Recommendation*

We recommend that Buffalo Creek Academy engage with the Buffalo Public School District to reach a definitive conclusion on all unreconciled items from previous school years. This resolution should be documented and incorporated into the financial records. Establishing a clear process for reconciling liabilities with the District going forward will minimize future discrepancies and support accurate financial reporting.

*Management response*

As part of the routine independent audit of the 2022-23 financial year, Buffalo Public School District formally stated Buffalo Creek's complete liability on July 20, 2023, in writing as BPS owing Buffalo Creek \$9,853.29. All invoices and payments were accepted by BPS in the previous two years with no reconciliation payments required. We accepted this liability as of July 20, 2023. On November 20, 2024, BPS sent an invoice including \$98,531.42 for 2020-21 and \$17,848.63 for 2021-22. We immediately asked for the communication from BPS from those years that indicated any communication was made or invoice sent. BPS responded on email that they have no record of any reconciliation communications during these years. Buffalo Creek understands that this is a general BPS issue and not specific to Buffalo Creek. We have sought legal advice and are following that advice.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Finding 2024-006**

*Statement of condition*

During our audit, a sample of 25 pupils was tested to verify proof of residency of pupils. For 4 of these pupils, supporting documentation was not provided, preventing us from verifying whether the correct school district was billed for these students.

*Criteria and effect of conditions*

Maintaining proper documentation, including proof of residency, is essential to ensure accurate district billing to avoid any compliance issues with funding requirements.

*Recommendation*

We recommend that Buffalo Creek Academy Charter School strengthen its internal controls to ensure proof of residency is consistently obtained and retained for all enrolled students. A standardized process for documenting and retaining residency records should be properly monitored.

*Management response*

Management agrees with the recommendation and will review its internal procedures. Buffalo Public School District does verify every student on every invoice to ensure students are only accounted for once throughout the District. They provide detailed feedback on any errors on a bi-monthly basis before accepting the per pupil invoice for Buffalo Creek. Based on that review we are confident the students submitted on invoices accurately represent the enrollment in the school and errors are corrected bi-monthly.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2024**

**Schedule of prior year findings and response**

**Finding 2023-001**

*Statement of condition*

During our audit, we noted there were several significant auditor adjustments required to be recorded affecting grants and other receivables, accounts payable and accrued expenses, net assets, revenues and expenses. We consider this to be a material weakness in internal control over financial reporting.

*Criteria and effect of conditions*

In the prior year, an entry had been recorded to post an account payable and related expense that was then improperly recorded again in fiscal year 2023. Accrued interest expense on the revolving loan was required to be recorded. An entry to reverse unbilled per pupil revenue was required. There were two invoices received subsequent to year end that were not accrued for at June 30, 2023. The net impact of these adjustments were material to the consolidated financial statements. The Charter School also recorded multiple expenses relating to the prior fiscal year in the current fiscal year, which required restatement of the prior year amounts.

*Recommendation*

In order to provide accurate accounting information, we recommend the Charter School establishes a more effective review and reconciliation process as a customary part of the accounting process. This would involve preparing monthly reconciliations of all significant accounts and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend management reviews the year-end closing entries to ensure all appropriate accruals and payables have been recorded. Finally, the Charter School should ensure their internal accounting records are in agreement with the audited financial statements.

*Current Status*

See finding 2024-001.

**BUFFALO CREEK ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2024**

**Schedule of prior year findings and response (continued)**

**Finding 2023-002**

*Statement of condition*

During our audit, we noted the per pupil final reconciliation for Buffalo Public School District for the year ended June 30, 2023, was not completed and submitted correctly and timely.

*Criteria and effect of conditions*

During our audit, we noted the per pupil final reconciliation for Buffalo Public School District for the year ended June 30, 2023 had not been properly submitted by the required deadline. When Buffalo Public School District received the final reconciliation after the deadline, it was noted there were errors and the District requested the Charter School to revise the reconciliation. Since the Buffalo Public School District had not received the revised final reconciliation in a timely manner, the District reconciled the final invoice based on past student data and provided the final reconciliation to the Charter School.

*Recommendation*

In order to ensure that per pupil revenues are properly recorded, we recommend the Charter School establish a more effective and efficient reconciliation process for the per pupil funding for each district. Based on communication with the Buffalo Public School District, the District has tried to work with the Charter School in educating how the invoicing and reconciliation is to be done, however errors continue to occur in the submissions. The Charter School should work to properly train all those involved in the invoicing/submission process to ensure the data is proper and accurate. The Charter School's revenues could be materially misstated without a proper reconciliation and review process along with a timely submission.

*Prior Year Follow-Up*

Partially corrected.

For the year ended June 30, 2024, the final reconciliation was not submitted timely by the July 31, 2024, deadline and contained discrepancies. These were identified and highlighted by Buffalo Public Schools and were subsequently corrected by the Charter School.

*Management response*

The Finance Committee of the Board of Trustees has also been concerned with the timeliness of the Bi-Monthly Per Pupil invoices and reconciliation. In October, 2024, the Treasurer has implemented a final review of the BPS invoices and year end reconciliation before submission to ensure better adherence to the invoice submission. Training continues on a Bi-Monthly basis.