

# BUFFALO UNITED CHARTER SCHOOL



Financial Statements, Additional  
Information, and Federal Awards  
Supplemental Information as of and for the  
Years Ended June 30, 2016 and 2015, and  
Independent Auditor's Reports

# **BUFFALO UNITED CHARTER SCHOOL**

## **TABLE OF CONTENTS**

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1–2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2016 AND 2015:	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6–9
ADDITIONAL INFORMATION —	10
Schedule of Functional Expenses	11
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	12–13
SUPPLEMENTAL INFORMATION —	14
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	15–16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditure of Federal Awards	18
Schedule of Findings and Questioned Costs	19–20

## Independent Auditor's Report

To the Board of Trustees  
Buffalo United Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Buffalo United Charter School, (the "School") which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buffalo United Charter School as of June 30, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

To the Board of Trustees  
Buffalo United Charter School

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Buffalo United Charter School's financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), as identified in the table of contents, and supplemental schedule of functional expenses, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements.

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

The supplemental schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the Buffalo United 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 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 United Charter School's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 21, 2016

# BUFFALO UNITED CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 130,909	\$ 112,806
Due from governmental revenue sources	<u>581,999</u>	<u>359,306</u>
Total current assets	<u>712,908</u>	<u>472,112</u>
NON-CURRENT ASSETS:		
Capital assets	15,336	15,336
Less accumulated depreciation	<u>(3,126)</u>	<u>(1,593)</u>
Total capital assets, net of accumulated depreciation	<u>12,210</u>	<u>13,743</u>
TOTAL	<u>\$ 725,118</u>	<u>\$ 485,855</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Deferred revenue	\$ 5,420	\$ 547
Accounts payable	249	-
Contracted service fee payable	<u>651,967</u>	<u>445,785</u>
Total liabilities	657,636	446,332
NET ASSETS:		
Unrestricted and undesignated	<u>67,482</u>	<u>39,523</u>
TOTAL	<u>\$ 725,118</u>	<u>\$ 485,855</u>

See notes to financial statements.

## BUFFALO UNITED CHARTER SCHOOL

### STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEARS ENDED JUNE 30, 2016 AND 2015

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	2016	2015
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 8,558,119	\$8,596,550
Other state sources	581,822	430,833
Federal sources	873,430	821,803
Private sources	<u>35,141</u>	<u>76,565</u>
Total revenues, gains and other support	10,048,512	9,925,751
EXPENSES:		
Contracted service fee	10,019,020	9,922,408
Depreciation	<u>1,533</u>	<u>1,533</u>
Total expenses	<u>10,020,553</u>	<u>9,923,941</u>
CHANGE IN NET ASSETS	27,959	1,810
NET ASSETS:		
Beginning of year	<u>39,523</u>	<u>37,713</u>
End of year	<u>\$ 67,482</u>	<u>\$ 39,523</u>

See notes to financial statements.

# BUFFALO UNITED CHARTER SCHOOL

## STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30 2016 AND 2015

	2016	2015
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
State aid	\$ 8,367,931	\$ 8,519,957
Other state sources	565,455	473,591
Federal sources	857,292	707,535
Private sources	40,014	76,892
Payments for services rendered	<u>(9,812,589)</u>	<u>(9,762,836)</u>
Net cash provided by operating activities	18,103	15,139
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of other equipment	<u>-</u>	<u>(11,734)</u>
NET INCREASE IN CASH	18,103	3,405
CASH — Beginning of year	<u>112,806</u>	<u>109,401</u>
CASH — End of year	<u>\$ 130,909</u>	<u>\$ 112,806</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 27,959	\$ 1,810
Depreciation	1,533	1,533
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in due from governmental revenue sources	(222,693)	(148,103)
Change in accounts payable	249	-
Change in deferred revenue	4,873	327
Change in contracted service fee payable	<u>206,182</u>	<u>159,572</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 18,103</u>	<u>\$ 15,139</u>

See notes to financial statements.

# **BUFFALO UNITED CHARTER SCHOOL**

## **NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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### **1. NATURE OF OPERATIONS**

Buffalo United Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School's operations. The charter expires July 31, 2021 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2015 through May 2016 for the year ended June 30, 2016.

The Board of Trustees of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA allocates to the School an amount equal to the lesser of two percent of state per pupil aid or \$35,000. These funds are property of the School and may be used by the School at the discretion of the board.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

**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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash** — Cash as of June 30, 2016 and 2015 represents bank deposits which are covered by federal depository insurance.

**Deferred Revenue** — Deferred revenue as of June 30, 2016 and 2015 consists of funds received for services which have not yet been performed.

**Contracted Service Fee Payable** — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

**Capital Assets** – Capital assets, which include other equipment, are reported in the applicable governmental column in the Academy-wide financial statements at historical costs of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

**The Financial Statements** — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Income Taxes** — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

The School has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. The School recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to June 30, 2013.

### 3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2016 or 2015, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

### 4. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### 5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

Year ended June 30, 2016	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 15,336	\$ -	\$ -	\$ 15,336
Total capital assets at historical cost	<u>15,336</u>	<u>-</u>	<u>-</u>	<u>15,336</u>
Less accumulated depreciation — equipment	<u>1,593</u>	<u>1,533</u>	<u>-</u>	<u>3,126</u>
Total accumulated depreciation	<u>1,593</u>	<u>1,533</u>	<u>-</u>	<u>3,126</u>
Total capital asset activity, net	<u>\$ 13,743</u>	<u>\$ (1,533)</u>	<u>\$ -</u>	<u>\$ 12,210</u>

Year ended June 30, 2015	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Equipment	\$ 3,602	\$ 11,734	\$ -	\$ 15,336
Total capital assets at historical cost	<u>3,602</u>	<u>11,734</u>	<u>-</u>	<u>15,336</u>
Less accumulated depreciation — equipment	<u>60</u>	<u>1,533</u>	<u>-</u>	<u>1,593</u>
Total accumulated depreciation	<u>60</u>	<u>1,533</u>	<u>-</u>	<u>1,593</u>
Total capital asset activity, net	<u>\$ 3,542</u>	<u>\$ 10,201</u>	<u>\$ -</u>	<u>\$ 13,743</u>

## 6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2015 through June 30, 2016. Annual rental payments required by the lease were \$858,720 payable in twelve monthly payments of \$71,560. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

## 7. FUNCTIONAL EXPENSES

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

	<b>2016</b>	<b>2015</b>
Program services:		
Regular education	\$ 5,597,048	\$ 5,862,796
Special education	490,587	461,702
Supporting services — management and general	<u>3,931,385</u>	<u>3,597,910</u>
Total contracted service fee	10,019,020	9,922,408
Depreciation Expense	<u>1,533</u>	<u>1,533</u>
Total Expenses	<u>\$ 10,020,553</u>	<u>\$ 9,923,941</u>

## 8. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2016 have been evaluated through October 21, 2016, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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## **ADDITIONAL INFORMATION**

**BUFFALO UNITED CHARTER SCHOOL**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015**

	No. of Positions	2016								2015
		Program Services				Supporting Services			Total	
		Regular Education	Special Education	Other Education	Total	Fund- raising	Management and General	Total		
Personnel Services Costs										
Administrative Staff Personnel	-	\$ 521,091	\$ -	\$ -	\$ 521,091	\$ -	\$ -	\$ -	\$ 521,091	\$ 518,367
Instructional Personnel	-	1,991,840	210,217	-	2,202,057	-	-	-	2,202,057	2,206,489
Non-Instructional Personnel	-	32,799	-	-	32,799	-	-	-	32,799	2,041
Total Salaries and Staff	-	2,545,730	210,217	-	2,755,947	-	-	-	2,755,947	2,726,897
Fringe Benefits & Payroll Taxes		631,308	71,569	-	702,877	-	-	-	702,877	824,099
Retirement		59,353	5,078	-	64,431	-	-	-	64,431	66,284
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		11,012	-	-	11,012	-	-	-	11,012	9,903
Accounting / Audit Services		10,836	-	-	10,836	-	470,869	470,869	481,705	395,437
Other Purchased / Professional / Consulting Services		-	197,503	-	197,503	-	1,028,490	1,028,490	1,225,993	1,204,920
Building and Land Rent / Lease		915,492	-	-	915,492	-	-	-	915,492	883,933
Repairs & Maintenance		184,850	-	-	184,850	-	51,966	51,966	236,816	269,382
Insurance		27,876	-	-	27,876	-	-	-	27,876	24,900
Utilities		79,417	-	-	79,417	-	-	-	79,417	87,763
Supplies / Materials		385,676	3,309	-	388,985	-	-	-	388,985	528,771
Equipment / Furnishings		98,329	1,302	-	99,631	-	-	-	99,631	139,484
Staff Development		59,760	1,609	-	61,369	-	30,936	30,936	92,305	73,854
Marketing / Recruitment		10,156	-	-	10,156	-	150,030	150,030	160,186	210,903
Technology		35,560	-	-	35,560	-	480,380	480,380	515,940	526,174
Food Service		424,834	-	-	424,834	-	-	-	424,834	366,775
Student Services		44,039	-	-	44,039	-	212,920	212,920	256,959	205,733
Office Expense		39,657	-	-	39,657	-	75,377	75,377	115,034	108,493
Depreciation		1,533	-	-	1,533	-	-	-	1,533	1,533
OTHER		33,163	-	-	33,163	-	1,430,417	1,430,417	1,463,580	1,268,703
Total Expenses		\$ 5,598,581	\$ 490,587	\$ -	\$ 6,089,168	\$ -	\$ 3,931,385	\$ 3,931,385	\$ 10,020,553	\$ 9,923,941

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*

Independent Auditor's Report

To Management and the Board of Trustees  
Buffalo United Charter School

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 United Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, changes in net assets and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated October 21, 2016.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees  
Buffalo United Charter School

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Buffalo United 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alante & Moran, PLLC*

October 21, 2016

## **SUPPLEMENTAL INFORMATION**

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees  
Buffalo United Charter School

**Report on Compliance for Each Major Federal Program**

We have audited Buffalo United Charter School's (the "School") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Buffalo United Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Buffalo United Charter School's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Buffalo United Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Buffalo United Charter School's compliance.

To the Board of Trustees  
Buffalo United Charter School

### ***Opinion on Each Major Federal Program***

In our opinion, Buffalo United Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

October 21, 2016

**BUFFALO UNITED CHARTER SCHOOL**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>State/Pass- through Grantor's Number</b>	<b>Expenditures</b>
Child Nutrition Cluster—			
U.S. Department of Agriculture—			
Direct Program:			
National School Breakfast Program	10.553		\$ 54,587
National School Lunch Program	10.555		<u>332,587</u>
 Total U.S. Department of Agriculture			 <u>387,174</u>
 U.S. Department of Education:			
Passed through New York State Education Department:			
Title I, Grants to Local Educational Agencies	84.010	0021154231 0021164231	16,532 <u>333,428</u>
Total Title I, Grants to Local Educational Agencies			<u>349,960</u>
 Title II, Improving Teacher Quality	84.367	0147154231 0147164231	2,760 <u>32,109</u>
Total Title II, Improving Teacher Quality			<u>34,869</u>
 Passed through Local School District —			
IDEA Cluster - IDEA, Part B	84.027	2016	98,571
IDEA Cluster - IDEA, Preschool	84.173A	2016	<u>2,856</u>
			<u>101,427</u>
 Total U.S. Department of Education			 <u>486,256</u>
 TOTAL FEDERAL ASSISTANCE			 <u>\$ 873,430</u>

# Buffalo United Charter School

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

### Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Buffalo United Charter School under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Buffalo United Charter School, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of Buffalo United Charter School.

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Buffalo United Charter School has no funds transferred to subrecipients during the year ended June 30, 2016. Buffalo United Charter School has not elected to use the 10-percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

### Note 2 - Grant Auditor Report

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

# Buffalo United Charter School

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? \_\_\_\_\_ Yes  X  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

# **Buffalo United Charter School**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

October 21, 2016

To the Board of Trustees  
Buffalo United Charter School

We have audited the financial statements of Buffalo United Charter School (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated October 21, 2016. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 17, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Buffalo United Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Buffalo United Charter School's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of Buffalo United Charter School, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 21, 2016 regarding our consideration of Buffalo United Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated June 1, 2016.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Buffalo United Charter School are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2016.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements which were requested to be recorded. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### ***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 21, 2016.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Trustees  
Buffalo United Charter School

October 21, 2016

This information is intended solely for the use of the board of trustees and management of Buffalo United Charter School and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Michael A. Lamfers, CPA  
Partner



Michelle M. Goss, CPA  
Partner

Client: **Buffalo United Charter School**  
 Y/E: **6/30/2016**

**SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net income statement impact
<b>FACTUAL MISSTATEMENTS:</b>									
A1	To adjust due from state - other sources. Revenue was originally recorded as \$225 per FTE and the actual amount received after year end was \$215.125 per FTE	\$ (6,875)		\$ (6,875)			\$ (6,875)	\$ (6,875)	
<b>JUDGMENTAL ADJUSTMENTS:</b>									
B1	None								
<b>PROJECTED ADJUSTMENTS:</b>									
C1	None								
<b>Total</b>		<u>\$ (6,875)</u>	<u>\$ -</u>	<u>\$ (6,875)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,875)</u>	<u>\$ (6,875)</u>	<u>\$ -</u>
<b>PASSED DISCLOSURES:</b>									
D1	None								