

**SOUTH BUFFALO CHARTER SCHOOL  
SINGLE AUDIT REPORTING PACKAGE**

**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
South Buffalo Charter School

We have audited the accompanying consolidated balance sheets of South Buffalo Charter School and Affiliate (the Organization) as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Additional Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

  
September 22, 2017

SOUTH BUFFALO CHARTER SCHOOL

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**Consolidated Balance Sheets**

June 30,	2017	2016
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 8,703,927	\$ 4,165,235
Receivables (Note 2)	908,324	4,006,801
Prepaid expenses	271,579	274,983
	<u>9,883,830</u>	<u>8,447,019</u>
Property and equipment, net (Note 3)	<u>22,049,272</u>	<u>23,208,878</u>
	<u>\$ 31,933,102</u>	<u>\$ 31,655,897</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt (Note 5)	\$ 452,372	\$ 431,648
Accounts payable and accrued expenses	1,502,422	1,622,046
Deferred income taxes (Note 7)	-	501,000
	<u>1,954,794</u>	<u>2,554,694</u>
Long-term debt (Note 5)	11,533,820	11,983,537
<b>Net assets:</b>		
Unrestricted	<u>18,444,488</u>	<u>17,117,666</u>
	<u>\$ 31,933,102</u>	<u>\$ 31,655,897</u>

SOUTH BUFFALO CHARTER SCHOOL

**Consolidated Statements of Activities**

For the years ended June 30,	2017	2016
<b>Support and revenue:</b>		
Enrollment fees:		
Revenue-resident student enrollment	\$ 11,200,295	\$ 10,953,356
Revenue-students with disabilities	620,053	621,191
Revenue-additional state aid	389,181	195,764
Federal grants	1,144,246	1,138,070
State grants	20,407	20,491
Food service	16,327	26,281
Other income	133,503	65,453
<b>Total support and revenue</b>	<b>13,524,012</b>	<b>13,020,606</b>
<b>Expenses:</b>		
Program expenses:		
Regular education	6,685,970	6,536,907
Special education	1,329,044	1,424,765
Other programs	3,561,954	3,448,904
Total program expenses	11,576,968	11,410,576
Supporting services:		
Management and general	852,819	871,831
<b>Total expenses</b>	<b>12,429,787</b>	<b>12,282,407</b>
<b>Other items:</b>		
Tax credits and adjustments, net (Note 7)	232,597	330,980
<b>Change in net assets</b>	<b>1,326,822</b>	<b>1,069,179</b>
Net assets - beginning	17,117,666	16,048,487
Net assets - ending	\$ 18,444,488	\$ 17,117,666

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL

**Consolidated Statements of Cash Flows**

For the years ended June 30,	2017	2016
<b>Operating activities:</b>		
Cash received from enrollment fees	\$ 11,902,273	\$ 11,549,048
Cash received from federal and state grants	1,096,728	1,186,874
Cash received from other sources	3,332,963	68,404
Payments to employees for services and benefits	(7,923,167)	(7,542,361)
Payments to vendors and suppliers	(2,650,837)	(2,927,613)
Interest paid	(645,419)	(666,312)
<b>Net operating activities</b>	<b>5,112,541</b>	<b>1,668,040</b>
<b>Investing activities:</b>		
Property and equipment expenditures	(144,856)	(523,189)
<b>Financing activities:</b>		
Payments on long-term debt	(428,993)	(336,527)
<b>Net change in cash</b>	<b>4,538,692</b>	<b>808,324</b>
Cash - beginning	4,165,235	3,356,911
Cash - ending	\$ 8,703,927	\$ 4,165,235
<b>Reconciliation of change in net assets to net cash flows from operating activities:</b>		
Change in net assets	\$ 1,326,822	\$ 1,069,179
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,191,143	1,224,561
Deferred income taxes	(501,000)	(234,000)
Loss on disposal of property and equipment	8,703	302
Changes in operating assets and liabilities:		
Receivables	3,098,477	(284,691)
Prepaid expenses	3,404	(16,579)
Accounts payable and accrued expenses	(15,008)	(80,232)
Deferred revenue	-	(10,500)
<b>Net operating activities</b>	<b>\$ 5,112,541</b>	<b>\$ 1,668,040</b>

See accompanying notes.

**Notes to Consolidated Financial Statements**

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**1. Summary of Significant Accounting Policies:**

**Organization and Purpose:**

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

The School operates a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School has been chartered through 2020, at which time it must apply to renew its charter for another term. The School currently offers classes from kindergarten through grade 8.

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

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

**Subsequent Events:**

Management has evaluated events and transactions for potential recognition or disclosure through September 22, 2017, the date the financial statements were available to be issued.

**Cash**

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

**Receivables:**

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

**Property and Equipment:**

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

Property held for sale is reported at the lower of its carrying amount or fair value less cost to sell and is not depreciated while it is classified as held for sale.

**Enrollment Fees:**

The School is reimbursed based on the approved operating expense per pupil of the public-school district in which the student resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in the district. The School's enrollment fees are received primarily from the Board of Education for the City School District.

**Grants:**

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to various compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Grant awards are accounted for as exchange transactions and revenue is deferred until the related services are performed.

### Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under §501(a) of the Internal Revenue Code. The LLC has elected to be taxed as a corporation (Note 7).

The Organization believes it is no longer subject to the examination by Federal and State taxing authorities for years prior to 2014.

### Cost Allocation:

The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Transportation:

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

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Reclassifications:

The financial statements for the year ended June 30, 2016 have been reclassified to conform with the presentation adopted for 2017.

### 2. Receivables:

	2017	2016
Grants	\$ 259,853	\$ 191,928
Enrollment fees	402,219	224,686
Refundable tax credits (Note 7)	53,965	3,517,795
Other	192,287	72,392
	<u>\$ 908,324</u>	<u>\$ 4,006,801</u>

In July 2017 and 2016, all New York State charter schools serving students in the fiscal 2017 and 2016 school years received additional state aid. The additional aid received by each school was based on the number of students served and was paid directly from the New York State Department of Education. Additional aid totaling \$389,181 and \$195,764 is included as enrollment fees receivable on the accompanying combined balances sheets as of June 30, 2017 and 2016, respectively.

### 3. Property and Equipment:

	2017	2016
Land	\$ 538,624	\$ 538,624
Buildings and improvements	18,019,255	17,987,865
Furniture and equipment	6,600,317	6,992,949
	<u>25,158,196</u>	<u>25,519,438</u>
Less accumulated depreciation	3,608,924	2,810,560
	<u>21,549,272</u>	<u>22,708,878</u>
Property held for sale	500,000	500,000
	<u>\$ 22,049,272</u>	<u>\$ 23,208,878</u>

### 4. Line of Credit:

The School has available a \$500,000 demand line of credit from a financial institution, with interest payable at prime plus 0.5%, secured by essentially all of the School's assets, and guaranteed by the LLC. There were no outstanding amounts under this line at June 30, 2017 and 2016.

### 5. Long-Term Debt:

	2017	2016
Bank mortgage note payable, monthly installments of \$89,534 including interest at 4.88%, with balloon payment of \$8,730,633 due October 2023 (expected to be refinanced), secured by essentially all assets of the Organization.	\$ 12,176,208	\$ 12,635,604
Less unamortized debt issuance costs	190,016	220,419
	<u>11,986,192</u>	<u>12,415,185</u>
Less current portion	452,372	429,114
	<u>\$ 11,533,820</u>	<u>\$ 11,986,071</u>

Aggregate maturities of net long-term debt subsequent to June 30, 2017 are:

	<b>Principal</b>	<b>Unamortized Debt Issuance Costs</b>
2018	\$ 482,775	\$ 30,403
2019	507,211	30,403
2020	531,396	30,403
2021	559,780	30,403
2022	588,114	30,403
Thereafter	9,506,932	38,001
	<b>\$ 12,176,208</b>	<b>\$ 190,016</b>

Debt issuance costs are amortized as interest expense over the remaining term of the mortgage note. Amortization of debt issuance costs totaled \$30,403 and \$27,869 for the years ended June 30, 2017 and 2016.

Interest expense totaled \$645,419 and \$666,312 for the years ended June 30, 2017 and 2016.

The debt agreement requires compliance with certain covenants beginning in fiscal 2017.

## 6. Retirement Plans:

The School maintains a 403(b) profit sharing plan covering essentially all full-time employees (as defined). The plan requires certain minimum employer contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2017 and 2016 were \$34,943 and \$25,965.

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

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

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

Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 11.72% of the annual covered payroll for the year ended June 30, 2017, and 13.26% for the year ended June 30, 2016.

The required contributions for the years ended June 30, 2017 and 2016 were \$523,503 and \$580,961.

## 7. Tax Credits:

Effective July 1, 2014, the LLC elected to be taxed as a corporation to obtain refundable New York State brownfield redevelopment tax credits totaling \$3,571,760 through June 30, 2017. New York State Department of Taxation and Finance audited such tax credits totaling \$3,517,795, and approved refunding \$3,198,428, which was received in fiscal 2017. The refundable credits are subject to federal income taxes when received. The LLC also has available \$132,000 of nonrefundable solar equipment tax credits which can be applied to reduce future federal income taxes. Transactions related to the tax credits are presented in the statements of activities net of applicable taxes and credits (deferred and otherwise).

The LLC recognizes deferred tax assets and liabilities primarily for the expected future tax consequences of using different methods of accounting for credit revenues and depreciation, and the recognition of net operating loss carryforwards to the extent realization of such losses are more likely than not. Based on future projected taxable income of the LLC, in 2017 management recorded an allowance against the deferred taxes related to the nonrefundable tax credits and net operating loss carryforwards. Based on future taxable income, the amount of deferred taxes considered to be realizable may be adjusted.

Deferred income taxes on the balance sheets at June 30, 2017 and 2016 are as follows:

	<u>2017</u>		<u>2016</u>
Assets	\$ 1,176,000	\$	1,410,000
Liabilities	(677,000)		(1,911,000)
Allowance	(499,000)		-
	<u>\$ -</u>	<u>\$</u>	<u>(501,000)</u>

## **8. Health Insurance:**

The School participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 57 participating members as of June 30, 2016 (the most recent information available).

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

The Plan has published its own financial report for the year ended June 30, 2016, which can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York, 14224.

## **9. Contingencies:**

The School may be subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, the outcome of any claims is not expected to have a material adverse effect upon the financial position of the Organization.

## **10. Cash Flows Information:**

Noncash investing and financing activities excluded from the statements of cash flows include accounts payable incurred for building additions of \$104,616 at June 30, 2016.

SOUTH BUFFALO CHARTER SCHOOL

**Additional Information**  
**Consolidated Schedule of Expenses**

For the year ended June 30, 2017 (with summarized comparative totals for 2016)

	2017					2016	
	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total	Total
Administrative staff personnel	15.0	\$ 471,824	\$ 62,910	\$ 167,760	\$ 346,003	\$ 1,048,497	
Instructional personnel	84.0	2,664,059	416,259	1,082,274	-	4,162,592	
Non-instructional personnel	12.0	283,144	37,753	99,100	51,910	471,907	
Salaries		3,419,027	516,922	1,349,134	397,913	\$ 5,682,996	\$ 5,584,866
Employee benefits and taxes		974,941	147,401	384,708	113,466	1,620,516	1,408,633
Retirement		335,974	50,796	132,574	39,102	558,446	606,926
Professional fees		-	-	-	48,740	48,740	127,120
Other contracted services		116,785	335,770	46,083	13,592	512,230	497,534
Property taxes		125,853	19,028	49,661	14,647	209,189	223,595
Repairs and maintenance		84,502	12,776	33,344	9,834	140,456	205,175
Insurance		54,072	8,175	21,337	6,293	89,877	108,789
Utilities		101,410	15,332	40,016	11,802	168,560	198,693
Supplies and materials		120,870	18,274	47,695	-	186,839	181,694
Equipment and furnishings		1,843	279	727	215	3,064	3,940
Staff development		25,429	3,845	10,034	2,959	42,267	83,391
Recruitment		-	-	-	7,676	7,676	8,306
Technology		146,136	22,094	57,665	17,008	242,903	125,775
Food service		-	-	725,115	-	725,115	687,313
Student services		-	-	198,564	-	198,564	180,659
Office expense		55,669	8,417	21,967	6,479	92,532	92,287
Interest		388,284	58,733	153,222	45,180	645,419	666,312
Other expenses		18,581	2,810	7,330	34,534	63,255	66,838
		5,969,376	1,220,652	3,279,176	769,440	11,238,644	11,057,846
Depreciation		716,594	108,392	282,778	83,379	1,191,143	1,224,561
Total		\$ 6,685,970	\$ 1,329,044	\$ 3,561,954	\$ 852,819	\$ 12,429,787	\$ 12,282,407

SOUTH BUFFALO CHARTER SCHOOL

**Additional Information  
Consolidating Balance Sheets**

June 30,	2017			Consolidated
	School	LLC	Eliminations	Totals
<b>Assets</b>				
<b>Current Assets:</b>				
Cash	\$ 5,450,573	\$ 3,253,354	\$ -	\$ 8,703,927
Receivables	854,359	53,965	-	908,324
Prepaid expenses	271,579	-	-	271,579
	<u>6,576,511</u>	<u>3,307,319</u>	-	<u>9,883,830</u>
Property and equipment, net	619,761	21,429,511	-	22,049,272
Due from affiliate	13,181,197	-	(13,181,197)	-
	<u>\$ 20,377,469</u>	<u>\$ 24,736,830</u>	<u>\$ (13,181,197)</u>	<u>\$ 31,933,102</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Current portion of long-term debt	\$ -	\$ 452,372	\$ -	\$ 452,372
Accounts payable and accrued expenses	1,500,121	2,301	-	1,502,422
Deferred income taxes	-	-	-	-
	<u>1,500,121</u>	<u>454,673</u>	-	<u>1,954,794</u>
Due to affiliate	-	13,181,197	(13,181,197)	-
Long-term debt	-	11,533,820	-	11,533,820
<b>Net assets:</b>				
Unrestricted	<u>18,877,348</u>	<u>(432,860)</u>	-	<u>18,444,488</u>
	<u>\$ 20,377,469</u>	<u>\$ 24,736,830</u>	<u>\$ (13,181,197)</u>	<u>\$ 31,933,102</u>

2016

School	LLC	Eliminations	Consolidated Totals
\$ 4,110,884	\$ 54,351	\$ -	\$ 4,165,235
489,006	3,517,795	-	4,006,801
274,983	-	-	274,983
4,874,873	3,572,146	-	8,447,019
669,195	22,539,683	-	23,208,878
12,428,359	-	(12,428,359)	-
<u>\$ 17,972,427</u>	<u>\$ 26,111,829</u>	<u>\$ (12,428,359)</u>	<u>\$ 31,655,897</u>
\$ -	\$ 431,648	\$ -	\$ 431,648
1,515,470	106,576	-	1,622,046
-	501,000	-	501,000
1,515,470	1,039,224	-	2,554,694
-	12,428,359	(12,428,359)	-
-	11,983,537	-	11,983,537
16,456,957	660,709	-	17,117,666
<u>\$ 17,972,427</u>	<u>\$ 26,111,829</u>	<u>\$ (12,428,359)</u>	<u>\$ 31,655,897</u>

## SOUTH BUFFALO CHARTER SCHOOL

**Additional Information**  
**Consolidating Statements of Activities**

For the years ended June 30,

2017

	School	LLC	Eliminations	Consolidated Totals
<b>Support and revenue:</b>				
Enrollment fees:				
Revenue-resident student enrollment	\$ 11,200,295	\$ -	\$ -	\$ 11,200,295
Revenue-students with disabilities	620,053	-	-	620,053
Revenue-additional state aid	389,181	-	-	389,181
Federal grants	1,144,246	-	-	1,144,246
State grants	20,407	-	-	20,407
Food service	16,327	-	-	16,327
Rental income	-	1,115,840	(1,115,840)	-
Interest income	623,386	-	(623,386)	-
Other income	133,503	-	-	133,503
<b>Total support and revenue</b>	<b>14,147,398</b>	<b>1,115,840</b>	<b>(1,739,226)</b>	<b>13,524,012</b>
<b>Expenses:</b>				
Program expenses:				
Regular education	6,263,657	1,468,658	(1,046,345)	6,685,970
Special education	1,265,114	222,154	(158,224)	1,329,044
Other programs	3,395,292	579,553	(412,891)	3,561,954
Total program expenses	10,924,063	2,270,365	(1,617,460)	11,576,968
Supporting services:				
Management and general	802,944	171,641	(121,766)	852,819
<b>Total expenses</b>	<b>11,727,007</b>	<b>2,442,006</b>	<b>(1,739,226)</b>	<b>12,429,787</b>
<b>Other items:</b>				
Tax credits, net	-	232,597	-	232,597
<b>Change in net assets</b>	<b>2,420,391</b>	<b>(1,093,569)</b>	<b>-</b>	<b>1,326,822</b>
Net assets - beginning	16,456,957	660,709	-	17,117,666
Net assets - ending	\$ 18,877,348	\$ (432,860)	\$ -	\$ 18,444,488

## 2016

School	LLC	Eliminations	Consolidated Totals
\$ 10,953,356	\$ -	\$ -	\$ 10,953,356
621,191	-	-	621,191
195,764	-	-	195,764
1,138,070	-	-	1,138,070
20,491	-	-	20,491
26,281	-	-	26,281
-	1,108,580	(1,108,580)	-
584,355	-	(584,355)	-
65,453	-	-	65,453
13,604,961	1,108,580	(1,692,935)	13,020,606
6,094,891	1,463,431	(1,021,415)	6,536,907
1,357,864	221,499	(154,598)	1,424,765
3,274,324	578,004	(403,424)	3,448,904
10,727,079	2,262,934	(1,579,437)	11,410,576
821,215	164,114	(113,498)	871,831
11,548,294	2,427,048	(1,692,935)	12,282,407
-	330,980	-	330,980
2,056,667	(987,488)	-	1,069,179
14,400,290	1,648,197	-	16,048,487
\$ 16,456,957	\$ 660,709	\$ -	\$ 17,117,666

SOUTH BUFFALO CHARTER SCHOOL

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**Additional Information**  
**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2017

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
<b>Passed through New York State Department of Education:</b>			
Title I Grants to Local Educational Agencies	84.010	0021-17-4035	\$ 366,828
Supporting Effective Instruction State Grants	84.367	0147-17-4035	32,765
<b>Total New York State Department of Education</b>			<b>399,593</b>
<b>Passed through Charter School for Applied Technologies:</b>			
English Language Acquisition State Grants	84.365	N/A	1,079
<b>Total U.S. Department of Education</b>			<b>400,672</b>
<b><u>U.S. Department of Agriculture</u></b>			
<b>Passed through the New York State Department of Education:</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast Program	10.553	N/A	241,848
National School Lunch Program	10.555	N/A	454,167
<b>Total Child Nutrition Cluster</b>			<b>696,015</b>
<b>Passed through the New York State Office Of General Services:</b>			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	47,559
<b>Total U.S. Department of Agriculture</b>			<b>743,574</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,144,246</b>

**Notes to Schedule of Expenditures of Federal Awards**

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**1. Summary of Significant Accounting Policies:**

**Basis of Presentation**

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

**Basis of Accounting**

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

**Indirect Costs**

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

**Non-Monetary Federal Program**

The School is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the School used \$47,559 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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

The Board of Trustees  
South Buffalo Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of South Buffalo Charter School and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2017.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
September 22, 2017

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

The Board of Trustees  
South Buffalo Charter School

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

We have audited South Buffalo Charter School and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

  
September 22, 2017

**Schedule of Findings and Questioned Costs**

For the year ended June 30, 2017

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**Section I. Summary of Auditors' Results**

**Consolidated Financial Statements**

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to consolidated financial statements noted? No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>	<u>Amount</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 241,848
National School Lunch Program	10.555	454,167
		<u>\$ 696,015</u>

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

Auditee qualified as low-risk auditee? No

**Section II. Financial Statement Findings**

No findings were reported.

**Section III. Federal Award Findings and Questioned Costs**

No findings were reported.