

**SOUTH BUFFALO CHARTER SCHOOL
AND AFFILIATE**

SINGLE AUDIT REPORTING PACKAGE

JUNE 30, 2022

Table of Contents

June 30, 2022

Financial Statements

Independent Auditors' Report

Consolidated Financial Statements

Notes to Consolidated Financial Statements

Additional Information

Consolidating Balance Sheets

Consolidating Statements of Activities

Schedule of Expenditures of Federal Awards and Related Notes

Reports on Federal Award Programs

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*

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
South Buffalo Charter School and Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated balance sheets of South Buffalo Charter School and Affiliate (the Organization) as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

October 26, 2022

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Balance Sheets

June 30,	2022	2021
Assets		
Current Assets:		
Cash	\$ 10,719,950	\$ 8,129,327
Receivables (Note 2)	1,261,258	1,202,673
Prepaid expenses	334,588	303,066
	<u>12,315,796</u>	<u>9,635,066</u>
Property and equipment, net (Note 3)	16,537,005	17,169,966
Investments (Note 4)	9,054,623	9,327,791
	<u>\$ 37,907,424</u>	<u>\$ 36,132,823</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt (Note 6)	\$ 608,438	\$ 580,558
Accounts payable and accrued expenses	1,647,437	1,524,696
	<u>2,255,875</u>	<u>2,105,254</u>
Long-term debt (Note 6)	8,757,184	9,358,250
Net assets:		
Without donor restrictions	26,894,365	24,669,319
	<u>\$ 37,907,424</u>	<u>\$ 36,132,823</u>

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Activities

For the years ended June 30,	2022	2021
Support and revenue:		
Enrollment fees:		
Resident students	\$ 11,814,650	\$ 11,604,159
Resident students with disabilities	470,678	349,796
Contributions:		
Federal awards	2,973,417	1,177,894
State and other awards	61,769	56,579
In-kind	56,533	36,068
Food service	9,811	2,337
Investment activity (Note 4)	(273,168)	180,344
Other income	69,948	80,240
Total support and revenue	15,183,638	13,487,417
Expenses:		
Program expenses:		
Regular education	9,094,580	8,341,640
Special education	1,142,283	1,321,122
Other programs	1,616,603	1,026,904
Total program expenses	11,853,466	10,689,666
Supporting services:		
Management and general	1,105,126	1,083,881
Total expenses	12,958,592	11,773,547
Change in net assets	2,225,046	1,713,870
Net assets - beginning	24,669,319	22,955,449
Net assets - ending	\$ 26,894,365	\$ 24,669,319

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Statement of Functional Expenses

For the year ended June 30, 2022

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	15.0	\$ 523,243	\$ 64,946	\$ 4,750	\$ 432,889	\$ 1,025,828
Instructional personnel	109.0	4,154,566	381,197	347,931	-	4,883,694
Non-instructional personnel	15.0	353,752	47,167	123,813	64,855	589,587
Salaries		5,031,561	493,310	476,494	497,744	6,499,109
Employee benefits and taxes		1,522,973	149,317	144,227	150,659	1,967,176
Retirement		406,155	39,821	38,463	40,179	524,618
Professional fees		-	-	-	109,495	109,495
Other contracted services		-	250,622	-	89,108	339,730
Property taxes		111,350	10,917	10,545	11,015	143,827
Repairs and maintenance		164,126	16,091	15,543	16,237	211,997
Insurance		49,505	4,854	4,688	4,897	63,944
Utilities		129,213	12,668	12,237	12,782	166,900
Supplies and materials		192,164	18,840	18,198	19,010	248,212
Equipment and furnishings		10,881	1,067	1,030	1,077	14,055
Staff development		78,386	7,686	7,423	7,754	101,249
Recruitment		-	-	-	5,257	5,257
Technology		478,471	46,911	45,312	47,332	618,026
Food service		-	-	635,269	-	635,269
Student services		-	-	120,067	-	120,067
Office expense		64,221	6,296	6,082	6,353	82,952
Interest		365,541	35,839	34,617	36,161	472,158
Other expenses		-	-	-	1,590	1,590
		8,604,547	1,094,239	1,570,195	1,056,650	12,325,631
Depreciation		490,033	48,044	46,408	48,476	632,961
Total		\$ 9,094,580	\$ 1,142,283	\$ 1,616,603	\$ 1,105,126	\$ 12,958,592

See accompanying notes.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Statement of Functional Expenses

For the year ended June 30, 2021

	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total
Administrative staff personnel	16.0	\$ 462,761	\$ 63,673	\$ 40,213	\$ 440,678	\$ 1,007,325
Instructional personnel	84.0	3,538,930	437,560	226,553	-	4,203,043
Non-instructional personnel	14.0	322,674	43,023	112,936	59,157	537,790
Salaries		4,324,365	544,256	379,702	499,835	5,748,158
Employee benefits and taxes		1,465,634	184,462	128,690	169,406	1,948,192
Retirement		343,170	43,191	30,132	39,666	456,159
Professional fees		-	-	-	52,749	52,749
Other contracted services		-	271,259	-	62,159	333,418
Property taxes		111,386	14,019	9,780	12,875	148,060
Repairs and maintenance		174,125	21,915	15,289	20,126	231,455
Insurance		45,825	5,767	4,024	5,297	60,913
Utilities		97,736	12,301	8,582	11,297	129,916
Supplies and materials		144,455	18,181	12,684	16,697	192,017
Equipment and furnishings		3,065	386	269	354	4,074
Staff development		69,705	8,773	6,120	8,057	92,655
Recruitment		-	-	-	3,298	3,298
Technology		310,170	39,037	27,235	35,851	412,293
Food service		-	-	243,210	-	243,210
Student services		-	-	51,254	-	51,254
Office expense		56,763	7,144	4,984	6,564	75,455
Interest		374,039	47,076	32,843	43,232	497,190
Other expenses		-	-	-	1,500	1,500
		7,520,438	1,217,767	954,798	988,963	10,681,966
Depreciation		821,202	103,355	72,106	94,918	1,091,581
Total		\$ 8,341,640	\$ 1,321,122	\$ 1,026,904	\$ 1,083,881	\$ 11,773,547

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Consolidated Statements of Cash Flows

For the years ended June 30,	2022	2021
Operating activities:		
Cash received from enrollment fees	\$ 12,387,500	\$ 11,537,585
Cash received from contributions	2,911,553	1,183,950
Cash received from other sources	99,168	69,753
Interest received	119,255	173,869
Payments to employees for services and benefits	(8,825,840)	(8,106,247)
Payments to vendors and suppliers	(2,936,414)	(1,918,426)
Interest paid	(472,158)	(497,190)
Net operating activities	3,283,064	2,443,294
Investing activities:		
Property and equipment expenditures	-	(108,964)
Purchase of investments	(119,255)	(173,869)
Net investing activities	(119,255)	(282,833)
Financing activities:		
Payments on long-term debt	(573,186)	(548,154)
Net change in cash	2,590,623	1,612,307
Cash - beginning	8,129,327	6,517,020
Cash - ending	\$ 10,719,950	\$ 8,129,327

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

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

The School operates a charter school in the City of Buffalo, New York (the City) pursuant to its Charter Agreement with the Education Department of the State of New York. The School has been chartered through June 2025. 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 21st century. Students enrolled reside primarily in the City School District.

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

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 26, 2022, the date the financial statements were available to be issued.

Cash:

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

Property and Equipment:

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

Investments:

Investments are comprised of marketable securities stated at fair value as determined by quoted prices in active markets.

Revenue Recognition:

Enrollment Fees

Enrollment fees are received from the public-school districts where the students reside. The amount received each year from the resident district is generally the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the School residing in that district. The respective districts also reimburse the School for special education services based on approved applicable rates for the services provided. Revenues are recognized over the period the services are provided. The School generally invoices the resident district bimonthly and payment is due in 30 days. Enrollment fees received in advance are deferred and recognized when earned. The School's enrollment fees are received primarily from City School District.

Contributions

Contributions are reported at fair value at the date the pledge or award is received. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the Organization meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying consolidated balance sheets. These conditional contributions are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

As of June 30, 2022, conditional government awards from the Education Stabilization Fund awarded and not yet received amounted to approximately \$2,534,000 and will be recognized when qualifying expenses are incurred over the next two years.

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

Receivables

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

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under section 501(a) of the Internal Revenue Code. The LLC has elected to be taxed as a corporation effective July 1, 2014. The LLC recognized and paid no income taxes in 2022 or 2021.

Transportation:

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

Use of Estimates:

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

Functional Expense Allocation:

The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries, benefits, and payroll taxes, which are allocated based on estimates of time and effort. Most of the remaining expenses are allocated based on management's estimate of program benefit.

2. Receivables:

	2022	2021
Contributions	\$ 462,194	\$ 282,028
Enrollment fees	732,444	834,616
Other	66,620	86,029
	<u>\$ 1,261,258</u>	<u>\$ 1,202,673</u>

Enrollment fee receivables at June 30, 2022 and 2021 include amounts withheld by the City School District for disputed rates of special education services provided by the School from 2008 through 2018 (Note 10).

3. Property and Equipment:

	2022	2021
Land	\$ 538,624	\$ 538,624
Building and improvements	18,178,018	18,178,018
Furniture and equipment	6,652,804	6,652,804
	<u>25,369,446</u>	<u>25,369,446</u>
Less accumulated depreciation	8,832,441	8,199,480
	<u>\$ 16,537,005</u>	<u>\$ 17,169,966</u>

4. Investments:

	2022	2021
Interest bearing cash	\$ 1,302,205	\$ 26,716
Equities	470,910	540,824
Fixed income	7,281,508	8,760,251
	<u>\$ 9,054,623</u>	<u>\$ 9,327,791</u>

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

	2022	2021
Interest	\$ 119,255	\$ 173,869
Unrealized gains (losses)	(392,423)	6,475
	<u>\$ (273,168)</u>	<u>\$ 180,344</u>

5. Line of Credit:

The School has available a \$500,000 bank demand line of credit, with interest payable at 70% of prime plus 0.5%, secured by essentially all of the School's assets, and guaranteed by the LLC. There were no outstanding amounts under this line at June 30, 2022 and 2021.

6. Long-Term Debt:

	2022	2021
Bank mortgage note payable, monthly installments of \$87,112 including interest at 4.50% with balloon payment of \$7,885,800 due January 2025, secured by essentially all assets of the Organization.	\$ 9,433,572	\$ 10,033,061
Less unamortized debt issuance costs	67,950	94,253
	<u>9,365,622</u>	<u>9,938,808</u>
Less current portion	608,438	580,558
	<u>\$ 8,757,184</u>	<u>\$ 9,358,250</u>

Debt issuance costs are amortized as interest expense over the remaining term of the mortgage note. Amortization of debt issuance costs totaled \$26,303 for each of the years ended June 30, 2022 and 2021.

Aggregate maturities of net long-term debt subsequent to June 30, 2022 are:

2023	\$ 608,438
2024	637,597
2025	<u>8,119,587</u>
	<u>\$ 9,365,622</u>

The bank loan agreements contains a restrictive covenant relating to debt service coverage.

7. Retirement Plans:

The School maintains a 403(b) profit sharing plan covering essentially all full-time employees (as defined). The plan requires certain employer match contributions based on salaries and employee deferrals. Expenses related to this plan for the years ended June 30, 2022 and 2021 were \$32,775 and \$34,149.

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

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

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

Pursuant to Article 11 of Education Law, rates are established annually by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 9.80% of the annual covered payroll for the year ended June 30, 2022, and 9.53% for the year ended June 30, 2021.

The required contributions for the years ended June 30, 2022 and 2021 were \$491,843 and \$422,010.

8. Health Insurance:

The School participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to participating school and school district members.

Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. To date, these supplemental assessments have not been required.

The Plan's financial report for the year ended June 30, 2021 can be obtained from Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

9. Financial Assets Available for Operations:

The Organization obtains financial assets generally through enrollment fees and contributions. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures. If necessary, the Organization also has access to a \$500,000 bank demand line of credit (Note 5).

The Organization's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 10,644,950	\$ 8,054,327
Receivables	1,261,258	1,202,673
Investments	9,054,623	9,327,791
	<u>\$ 20,960,831</u>	<u>\$ 18,584,791</u>

10. Contingency:

In 2019, an audit by the Office of the New York State Comptroller determined the City School District had provided incorrect special education rates for over a decade. As a result, there is a dispute with the rate used for aid that passes through the City School District to the School for special education services.

The City School District recouped approximately \$506,000 in special education aid in the 2019-20 and 2020-21 school years through a reduction in the City School District's payments for enrollment fees earned by the School. To recover amounts withheld and pursuant to guidance, the School has submitted a State intercept to the New York State Education Department Commissioner and is following all administrative procedures to resolve the matter. Management believes the School will be successful in challenging the District's recoupment of funds through the State administrative procedure, and all amounts withheld per above have been recognized as enrollment fees receivable at June 30, 2022 and 2021 in the accompanying consolidated financial statements (Note 2).

11. Risks and Uncertainties:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and resulted in a severe disruption of operations for many organizations.

In March 2020, the School transitioned to remote instruction for the remainder of the 2019-20 school year. During the 2020-21 school year, the School provided hybrid in-person and remote instruction models in compliance with all government safety mandates, returning to in-person learning in the 2021-22 school year. Consequently, enrollment fees and revenue for the years ended June 30, 2022 and 2021 were not reduced.

The full extent of the impact of COVID-19 on the School's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, and its impact on schools, including its students and families, employees, and vendors, none of which can be predicted.

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

**Additional Information
Consolidating Balance Sheets**

June 30,	2022				2021			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Assets								
Current Assets:								
Cash	\$ 10,129,183	\$ 590,767	\$ -	\$ 10,719,950	\$ 7,662,872	\$ 466,455	\$ -	\$ 8,129,327
Receivables	1,194,638	66,620	-	1,261,258	1,116,644	86,029	-	1,202,673
Prepaid expenses	334,588	-	-	334,588	303,066	-	-	303,066
	11,658,409	657,387	-	12,315,796	9,082,582	552,484	-	9,635,066
Property and equipment, net	141,042	16,395,963	-	16,537,005	182,562	16,987,404	-	17,169,966
Investments	9,054,623	-	-	9,054,623	9,327,791	-	-	9,327,791
Due from affiliate	12,560,010	-	(12,560,010)	-	12,008,349	-	(12,008,349)	-
	\$ 33,414,084	\$ 17,053,350	\$ (12,560,010)	\$ 37,907,424	\$ 30,601,284	\$ 17,539,888	\$ (12,008,349)	\$ 36,132,823
Liabilities and Net Assets								
Current Liabilities:								
Current portion of long-term debt	\$ -	\$ 608,438	\$ -	\$ 608,438	\$ -	\$ 580,558	\$ -	\$ 580,558
Accounts payable and accrued expenses	1,646,312	1,125	-	1,647,437	1,523,571	1,125	-	1,524,696
	1,646,312	609,563	-	2,255,875	1,523,571	581,683	-	2,105,254
Due to affiliate	-	12,560,010	(12,560,010)	-	-	12,008,349	(12,008,349)	-
Long-term debt	-	8,757,184	-	8,757,184	-	9,358,250	-	9,358,250
Net assets:								
Without donor restrictions	31,767,772	(4,873,407)	-	26,894,365	29,077,713	(4,408,394)	-	24,669,319
	\$ 33,414,084	\$ 17,053,350	\$ (12,560,010)	\$ 37,907,424	\$ 30,601,284	\$ 17,539,888	\$ (12,008,349)	\$ 36,132,823

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Consolidating Statements of Activities

For the years ended June 30,	2022				2021			
	School	LLC	Eliminations	Consolidated Totals	School	LLC	Eliminations	Consolidated Totals
Support and revenue:								
Enrollment fees:								
Resident students	\$ 11,814,650	\$ -	\$ -	\$ 11,814,650	\$ 11,604,159	\$ -	\$ -	\$ 11,604,159
Resident students with disabilities	470,678	-	-	470,678	349,796	-	-	349,796
Contributions:								
Federal awards	2,973,417	-	-	2,973,417	1,177,894	-	-	1,177,894
State and other awards	61,769	-	-	61,769	56,579	-	-	56,579
In-kind	56,533	-	-	56,533	36,068	-	-	36,068
Food service	9,811	-	-	9,811	2,337	-	-	2,337
Rental income	-	1,115,840	(1,115,840)	-	-	1,115,840	(1,115,840)	-
Interest income	551,661	-	(551,661)	-	527,431	-	(527,431)	-
Investment activity	(273,168)	-	-	(273,168)	180,344	-	-	180,344
Other income	33,951	35,997	-	69,948	37,697	42,543	-	80,240
Total support and revenue	15,699,302	1,151,837	(1,667,501)	15,183,638	13,972,305	1,158,383	(1,643,271)	13,487,417
Expenses:								
Program expenses:								
Regular education	9,135,025	1,250,522	(1,290,967)	9,094,580	8,014,354	1,563,526	(1,236,240)	8,341,640
Special education	1,146,248	122,605	(126,570)	1,142,283	1,279,931	196,782	(155,591)	1,321,122
Other programs	1,620,433	118,426	(122,256)	1,616,603	998,166	137,286	(108,548)	1,026,904
Total program expenses	11,901,706	1,491,553	(1,539,793)	11,853,466	10,292,451	1,897,594	(1,500,379)	10,689,666
Supporting services:								
Management and general	1,107,537	125,297	(127,708)	1,105,126	1,044,552	182,221	(142,892)	1,083,881
Total expenses	13,009,243	1,616,850	(1,667,501)	12,958,592	11,337,003	2,079,815	(1,643,271)	11,773,547
Change in net assets	2,690,059	(465,013)	-	2,225,046	2,635,302	(921,432)	-	1,713,870
Net assets - beginning	29,077,713	(4,408,394)	-	24,669,319	26,442,411	(3,486,962)	-	22,955,449
Net assets - ending	\$ 31,767,772	\$ (4,873,407)	\$ -	\$ 26,894,365	\$ 29,077,713	\$ (4,408,394)	\$ -	\$ 24,669,319

SOUTH BUFFALO CHARTER SCHOOL AND AFFILIATE

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
<u>U.S. Department of Education</u>			
Passed through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-22-4035	\$ 393,100
Title I Grants to Local Educational Agencies	84.010	0021-21-4035	3,916
Supporting Effective Instruction State Grants	84.367	0147-22-4035	44,440
Student Support and Academic Enrichment Program	84.424	0204-22-4035	28,886
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4035	59,885 ¹
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-4035	619,629 ¹
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	5880-21-4035	<u>1,017,820</u> ¹
Total U.S. Department of Education			<u>2,167,676</u>
<u>U.S. Department of Agriculture</u>			
Passed through the New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	220,994 ²
National School Lunch Program	10.555	N/A	583,518 ²
Pandemic EBT Administrative Costs	10.649	N/A	1,229
Passed through the New York State Office Of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>56,533</u> ²
Total U.S. Department of Agriculture			<u>862,274</u>
Total Expenditures of Federal Awards			<u>\$ 3,029,950</u>

¹ Total Education Stabilization Fund - \$1,697,334

² Total Child Nutrition Cluster - \$861,045

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by South Buffalo Charter School and Affiliate (the Organization), an entity as defined in Note 1 to the Organization's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the 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 Organization is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2022, the School used \$56,533 worth of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

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

The Board of Trustees
South Buffalo Charter School and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Buffalo Charter School and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control over Financial Reporting

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

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

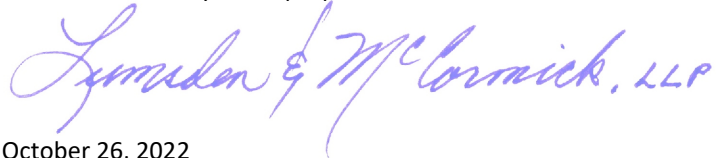
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

October 26, 2022

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

The Board of Trustees
South Buffalo Charter School and Affiliate

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Buffalo Charter School and Affiliate's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Suzman & McCormick, LLP

October 26, 2022

Schedule of Findings and Questioned Costs

For the year ended June 30, 2022

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:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Education Stabilization Fund	84.425	\$ 1,697,334

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.