

**BUFFALO ACADEMY OF
SCIENCE
CHARTER SCHOOL**

Financial and Compliance Report

June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Buffalo Academy of Science Charter School
Buffalo, New York

We have audited the accompanying statements of financial position of Buffalo Academy of Science Charter School (the School) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Academy of Science Charter School as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011 on our consideration of the Buffalo Academy of Science Charter School's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and 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* and should be considered in assessing the results of our audit.

Dopkins & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2011

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS	2011	2010
<hr/>		
Current Assets		
Cash	\$ 1,203,010	\$ 503,586
Accounts receivable:		
School districts and grants	24,144	250,669
Insurance recovery	-	4,557
Inventory	15,304	9,974
Prepaid expenses	73,075	83,635
Total current assets	<hr/> 1,315,533	<hr/> 852,421
Security Deposits	65,943	78,024
Escrow Account	50,061	25,027
Property and Equipment, net	646,626	590,997
	<hr/>	<hr/>
Total assets	\$ 2,078,163	\$ 1,546,469
	<hr/> <hr/>	<hr/> <hr/>
 LIABILITIES AND NET ASSETS		
<hr/>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 467,514	\$ 512,701
Total current liabilities	<hr/> 467,514	<hr/> 512,701
Deferred Revenue	115,909	100,000
Total liabilities	<hr/> 583,423	<hr/> 612,701
Unrestricted Net Assets:		
Board designated	950,000	-
Undesignated	544,740	933,768
	<hr/> 1,494,740	<hr/> 933,768
	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,078,163	\$ 1,546,469
	<hr/> <hr/>	<hr/> <hr/>

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2011 and 2010

	2011	2010
Revenue and support:		
Program service fees:		
Regular education	\$ 4,360,925	\$ 3,935,448
Special education	278,038	233,918
Grants and other	326,282	357,705
Total revenue	<u>4,965,245</u>	<u>4,527,071</u>
Operating expenses:		
Program services:		
Regular education	3,677,308	3,385,163
Special education	286,194	258,961
General and administrative	440,771	449,673
Total expenses	<u>4,404,273</u>	<u>4,093,797</u>
Change in unrestricted net assets	560,972	433,274
Unrestricted net assets, beginning of year	<u>933,768</u>	<u>500,494</u>
Unrestricted net assets, end of year	<u><u>\$ 1,494,740</u></u>	<u><u>\$ 933,768</u></u>

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2011 and 2010

	2011				2010			
	Program Services		General and Administrative	Total	Program Services		General and Administrative	Total
	Regular Education	Special Education			Regular Education	Special Education		
Salaries	\$ 2,129,902	\$ 171,454	\$ 196,018	\$ 2,497,374	\$ 1,999,134	\$ 141,750	\$ 229,731	\$ 2,370,615
Payroll taxes and fringe benefits	609,803	49,088	56,121	715,012	508,115	49,673	61,110	618,898
Contracted Services - Educational	78,590	-	-	78,590	41,469	-	-	41,469
Depreciation	101,130	7,729	12,096	120,955	106,078	8,077	12,684	126,839
Insurance	22,975	1,756	20,733	45,464	21,638	1,648	19,522	42,808
Marketing	-	-	40,681	40,681	-	-	17,260	17,260
Miscellaneous	1,503	115	-	1,618	1,072	39	-	1,111
Office and computer supplies	-	-	18,618	18,618	-	-	14,663	14,663
Postage and delivery	10,529	805	1,141	12,475	6,140	666	947	7,753
Printing and publications	22,584	1,726	354	24,664	22,947	1,747	359	25,053
Professional fees	-	-	15,840	15,840	-	-	21,899	21,899
Rent	381,377	29,147	44,736	455,260	379,624	28,907	44,519	453,050
Repairs, maintenance and janitorial	80,786	6,174	1,435	88,395	86,852	9,762	2,277	98,891
Security and utilities	63,041	4,818	6,797	74,656	50,222	5,301	7,504	63,027
Service charges and fees	-	-	11,362	11,362	-	-	9,034	9,034
Staff recruiting and development	26,032	1,990	5,087	33,109	27,267	1,141	2,927	31,335
Staff parking	35,533	2,716	883	39,132	33,232	2,530	826	36,588
Telephone	8,200	627	1,655	10,482	7,300	556	1,473	9,329
Textbooks, school supplies and food	66,807	5,106	-	71,913	76,362	5,815	-	82,177
Transportation	19,133	1,462	7,214	27,809	7,795	594	2,938	11,327
Uniforms	19,383	1,481	-	20,864	9,916	755	-	10,671
	\$ 3,677,308	\$ 286,194	\$ 440,771	\$ 4,404,273	\$ 3,385,163	\$ 258,961	\$ 449,673	\$ 4,093,797

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Cash receipts from school districts and grants	\$ 5,212,168	\$ 4,278,031
Cash paid for operating expenses	(1,058,547)	(1,034,484)
Cash paid for payroll, taxes and benefits	(3,233,978)	(3,047,849)
Restricted interest income	34	27
Net cash provided by operating activities	919,677	195,725
Cash Flows From Investing Activities		
Deposit into escrow account	(25,000)	(25,000)
Refund of security deposit	12,081	-
Purchases of property and equipment	(207,334)	(113,027)
Net cash used in investing activities	(220,253)	(138,027)
Cash at beginning of year	503,586	445,888
Cash at end of year	<u>\$ 1,203,010</u>	<u>\$ 503,586</u>
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets:	\$ 560,972	\$ 433,274
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation Expense	120,955	126,839
Interest income	(34)	(27)
(Increase) decrease in accounts receivable	231,082	(248,986)
Increase in inventory	(5,330)	(9,974)
(Increase) decrease in prepaid expenses	10,560	(73,453)
Decrease in accounts payable and accrued expenses	(14,437)	(80,354)
Decrease in refundable advances	-	(51,594)
Increase in deferred revenue	15,909	100,000
Net cash provided by operating activities	\$ 919,677	\$ 195,725
Supplemental Schedule of Cash Flow Information		
Fixed asset purchases included in accounts payable	\$ -	\$ 30,750

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

Buffalo Academy of Science Charter School (the School) was chartered on January 12, 2004 to operate as an independent school covering Grades 7 through 12. The School's Charter was renewed on January 15, 2009 to extend through June 30, 2012. Revenues are derived principally from the New York State Education Department and the Buffalo Public Schools.

A summary of the School's significant accounting policies follows:

Reclassifications:

Certain amounts in the financial statement for the year ended June 30, 2010 have been reclassified with no effect on the change in unrestricted net assets, to be consistent with the classifications adopted for the year ended June 30, 2011.

Cash:

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses on such accounts and, in this regard, the School believes it is not exposed to any significant credit risk on cash.

Escrow account:

The School is required to maintain an escrow account whereby use is limited by legal requirements. Deposits into this account are required by statute to be reserved for possible dissolution. As of June 30, 2011 and 2010, the balance in the escrow account amounted to \$50,061 and \$25,027, respectively.

Accounts receivable:

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventory:

Inventory, consisting of school uniforms, is stated at the lower of cost (first in, first out) or market.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The School reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donor restricted contributions whose time and/or purpose restrictions are met in the same reporting period are reported as unrestricted support in the statements of activities.

The School has no temporarily restricted or permanently restricted net assets.

Property and equipment:

Property and equipment are recorded at cost. Depreciation has been provided using the straight-line method over two to fifteen years. Expenditures for minor equipment, maintenance and repairs are charged to expense as incurred.

Included in property and equipment are assets purchased with funds from governmental agencies that have certain restrictions as to type and term of use.

Deferred revenue:

Deferred revenue arises when the School receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, the liability for deferred revenues is removed and revenues are recorded.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Board designated net assets:

The Board of Directors of the School has designated net assets for certain anticipated capital projects such as building an e-library, renewing the computer lab and teacher laptops, improvements to the School's information technology, installation of new windows and construction of an auditorium.

Income taxes:

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

It is highly certain that some positions taken for income tax purposes would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements only to the extent that an uncertain tax position (if any) is attributable to the School.

The tax returns for the years ended June 30, 2008 through 2011 remain subject to examination by the Internal Revenue Service for U.S. Federal tax purposes and also by New York State for state tax purposes.

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

Subsequent events:

Subsequent events have been evaluated through October 24, 2011, which is the date the financial statements were available to be issued.

Note 2. Functional Allocation of Expenses

The cost of providing various school activities has been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between the program and supporting services benefited.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 3. Property and Equipment

Property and equipment consists of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 410,729	\$ 380,805
Furniture and fixtures	276,259	275,201
Leasehold improvements	<u>635,430</u>	<u>489,828</u>
	1,322,418	1,145,834
Less accumulated depreciation	<u>675,792</u>	<u>554,837</u>
	<u>\$ 646,626</u>	<u>\$ 590,997</u>

Note 4. Pension Plan

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

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Plan members who joined the System prior to July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 through January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire working career. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plan (Continued)

The School is required to contribute at an actuarially determined rate, which is 8.62% and 6.19% of eligible salary for the years ended June 30, 2011 and 2010, respectively. The School contributions made to the System were equal to 100% of the required contributions for each year. Required contributions paid and expensed for the current and two preceding years were:

Years ended	Employee and Employer Contributions	
	Paid	Expense
June 30, 2011	\$ 169,525	\$ 164,559
June 30, 2010	\$ 207,085	\$ 124,740
June 30, 2009	\$ 395,592	\$ 153,087

The expense for the years ended June 30, 2011 and 2010 is included under payroll taxes and fringe benefits in the accompanying statements of functional expenses.

Note 5. Note Payable, Bank

The School has a line of credit agreement with a bank with a maximum borrowing capacity of \$300,000. Borrowed amounts bear interest at the prime rate plus 1.75%. The note is secured by all assets of the School. Outstanding borrowings on this line of credit were \$0- at June 30, 2011 and 2010.

Note 6. Leases

The School leases its facility under an operating lease that expires August 31, 2021. The lease can be terminated by the School if their charter is not renewed by New York State Department of Education. Future yearly and aggregate minimum lease payments under the facility lease agreement at June 30, 2011 are as follows:

Years ending June 30,	
2012	\$ 455,260
2013	466,641
2014	468,918
2015	468,918
2016	480,640
Thereafter	<u>2,066,799</u>
Total minimum lease payments	<u>\$ 4,407,176</u>

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

To the Board of Trustees
Buffalo Academy of Science Charter School
Buffalo, New York

We have audited the financial statements of Buffalo Academy of Science Charter School (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

This report is intended solely for the information and use of the School and the New York State Education Department and is not intended to be and should not be used by anyone other than these specified parties.

Dupkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2011

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

The independent auditors' report included an unqualified opinion on the basic financial statements for the year ended June 30, 2011.

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

The School received Federal Awards of less than \$500,000 during the reporting period. Therefore, the Federal Awards section is not applicable.

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

The School received Federal Awards of less than \$500,000 during the reporting period. Therefore the following section is not applicable.

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

Auditee qualifies as low-risk auditee? Yes No

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2011

Section II. Financial Statement Findings

A. Material weaknesses in internal control

None

B. Significant deficiencies in internal control

None

Section III. Findings and Questioned Costs for Federal Awards

Not applicable

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2011

Summary Schedule of Prior Audit Findings

The prior year report disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.