

**BUFFALO ACADEMY OF
SCIENCE
CHARTER SCHOOL**

Financial and Compliance Report

June 30, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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 21, 2010 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 21, 2010

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS	2010	2009
Current Assets		
Cash	\$ 503,586	\$ 445,888
Cash - escrow funds	25,027	-
Accounts receivable:		
School districts and grants	250,669	6,240
Insurance recovery	4,557	-
Inventory	9,974	-
Prepaid expenses	83,635	10,182
Total current assets	877,448	462,310
Security Deposits	78,024	78,024
Property and Equipment, net	590,997	574,059
Total assets	\$ 1,546,469	\$ 1,114,393
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 512,701	\$ 562,305
Refundable advances	-	51,594
Total current liabilities	512,701	613,899
Deferred revenue	100,000	-
Unrestricted Net Assets	933,768	500,494
Total liabilities and net assets	\$ 1,546,469	\$ 1,114,393

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2010 and 2009

	2010	2009
Revenue and support:		
Program service fees:		
Regular education	\$ 3,935,448	\$ 4,263,961
Special education	233,918	213,056
Grants and other	357,705	436,024
Total revenue	<u>4,527,071</u>	<u>4,913,041</u>
Operating expenses:		
Program services:		
Regular education	3,395,493	3,553,578
Special education	258,961	297,699
General and administrative	439,343	540,532
Total expenses	<u>4,093,797</u>	<u>4,391,809</u>
Change in unrestricted net assets	433,274	521,232
Unrestricted net assets (deficit), beginning of year	<u>500,494</u>	(20,738)
Unrestricted net assets, end of year	<u>\$ 933,768</u>	<u>\$ 500,494</u>

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2010 and 2009

	2010				2009			
	Program Services		General and Administrative	Total	Program Services		General and Administrative	Total
	Regular Education	Special Education			Regular Education	Special Education		
Salaries	\$ 1,990,918	\$ 141,750	\$ 229,731	\$ 2,362,399	\$ 2,040,316	\$ 178,876	\$ 239,051	\$ 2,458,243
Payroll taxes and fringe benefits	517,631	49,673	61,110	628,414	538,162	56,123	64,016	658,301
Depreciation	106,078	8,077	12,684	126,839	126,773	8,191	14,996	149,960
Insurance	21,638	1,648	19,522	42,808	27,056	1,748	24,148	52,952
Interest expense	-	-	24	24	-	-	12,333	12,333
Loss on disposal of fixed assets	-	-	-	-	-	-	15,012	15,012
Marketing	-	-	17,260	17,260	-	-	35,604	35,604
Miscellaneous	519	39	-	558	5,320	344	-	5,664
Office and computer supplies	-	-	4,309	4,309	-	-	5,989	5,989
Postage and delivery	8,741	666	947	10,354	8,972	580	962	10,514
Printing and publications	22,947	1,747	359	25,053	27,358	371	89	27,818
Professional fees	-	-	21,899	21,899	-	-	48,238	48,238
Rent	379,624	28,907	44,519	453,050	374,378	24,189	43,433	442,000
Repairs, maintenance and janitorial	128,196	9,762	2,277	140,235	125,314	10,303	2,802	138,419
Security and utilities	69,613	5,301	7,504	82,418	69,085	4,464	7,367	80,916
Service charges and fees	-	-	9,034	9,034	-	-	11,495	11,495
Staff recruiting and development	14,983	1,141	2,927	19,051	30,761	1,987	5,945	38,693
Staff parking	33,232	2,530	826	36,588	36,288	2,345	892	39,525
Telephone	7,300	556	1,473	9,329	17,229	1,113	3,439	21,781
Textbooks and school supplies	76,362	5,815	-	82,177	103,417	5,569	-	108,986
Transportation	7,795	594	2,938	11,327	12,659	818	4,721	18,198
Uniforms	9,916	755	-	10,671	10,490	678	-	11,168
	\$ 3,395,493	\$ 258,961	\$ 439,343	\$ 4,093,797	\$ 3,553,578	\$ 297,699	\$ 540,532	\$ 4,391,809

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Cash receipts from school districts and grants	\$ 4,278,031	\$ 4,913,712
Cash paid for operating expenses	(1,034,460)	(1,416,248)
Cash paid for payroll, taxes and benefits	(3,047,849)	(3,068,647)
Restricted interest income	27	-
Interest paid	(24)	(12,333)
Net cash provided by operating activities	195,725	416,484
Cash Flows From Investing Activities		
Deposit into escrow account	(25,000)	-
Purchases of property and equipment	(113,027)	(126,818)
Decrease in accounts receivable, landlord	-	188,015
Net cash provided by (used in) investing activities	(138,027)	61,197
Cash Flows From Financing Activities		
Net repayments under note payable, bank	-	(300,000)
Net increase in cash	57,698	177,681
Cash at beginning of year	445,888	268,207
Cash at end of year	\$ 503,586	\$ 445,888
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets:	\$ 433,274	\$ 521,232
Adjustments to reconcile change in net assets net cash provided by operating activities:		
Depreciation expense	126,839	149,960
Interest income	(27)	-
Loss on disposal of equipment	-	15,012
(Increase) decrease in accounts receivable	(248,986)	671
Increase in inventory	(9,974)	-
Increase in prepaid expenses	(73,453)	(6,958)
Decrease in accounts payable and accrued expenses	(80,354)	(185,152)
Decrease in refundable advances	(51,594)	(78,281)
Increase in deferred revenue	100,000	-
Net cash provided by operating activities	\$ 195,725	\$ 416,484
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:

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.

Cash - escrow funds:

Cash in escrow funds represents cash where use is limited by legal requirements and held in an escrow account. These assets represent amounts required by statute to be reserved for possible dissolution. As of June 30, 2010 and 2009, respectively, there are escrow funds amounting to \$25,027 and \$-0- on the accompanying statements of financial position.

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 supplies, is stated at the lower of cost (first in, first out) or market.

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.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

Contributions (continued):

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.

Refundable advances:

Refundable advances arise from grants and contracts where cash has been received in advance of the related expenditures or are amounts due to funding agencies for retroactive adjustments.

Deferred revenue:

Deferred revenue also 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.

Income taxes:

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

Effective July 1, 2009, the School adopted the accounting standard regarding accounting for uncertainty in income taxes. This standard clarifies the financial statement recognition and measurement criteria of tax positions taken or expected to be taken in a tax return. There was no effect of adopting this standard on the financial statements.

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

Income taxes (continued):

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 tax years 2007 through 2010 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.

Reclassifications:

Certain amounts in the financial statement for the year ended June 30, 2009 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, 2010.

Subsequent events:

Subsequent events have been evaluated through October 21, 2010, 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, 2010 and 2009:

	2010	2009
Equipment	\$ 380,805	\$ 268,867
Furniture and fixtures	275,201	346,293
Leasehold improvements	489,828	386,897
	<u>1,145,834</u>	<u>1,002,057</u>
Less accumulated depreciation	<u>554,837</u>	<u>427,998</u>
	<u>\$ 590,997</u>	<u>\$ 574,059</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.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, and employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School is required to contribute at an actuarially determined rate, which is 6.19% and 7.63% of eligible salary for the years ended June 30, 2010 and 2009, 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, 2010	\$ 207,085	\$ 124,740
June 30, 2009	\$ 395,592	\$ 153,087
June 30, 2008	\$ -	\$ 181,701

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 4. Pension Plan (Continued)

The expense for the years ended June 30, 2010 and 2009 are 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, 2010 and 2009.

Note 6. Leases

The School leases its facility under a non-cancelable operating lease that expires August 31, 2021. Future minimum payments, by year and in the aggregate, under the lease is comprised of the following at June 30, 2010:

<u>Years ending June 30,</u>	
2011	\$ 455,260
2012	455,260
2013	466,641
2014	468,918
2015	468,918
Thereafter	<u>2,522,059</u>
Total minimum lease payments	<u>\$ 4,837,056</u>

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