

**BUFFALO ACADEMY OF  
SCIENCE  
CHARTER SCHOOL**

**Financial and Compliance Report**

**June 30, 2009 and 2008**

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# Dopkins & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## 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 as of June 30, 2009 and 2008, 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, 2009 and 2008, 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 14, 2009 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 14, 2009

**BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Current Assets		
Cash	\$ 445,888	\$ 268,207
Accounts receivable:		
School districts and grants	6,240	6,911
Landlord	-	188,015
Prepaid expenses	10,182	3,224
<b>Total current assets</b>	<b>462,310</b>	<b>466,357</b>
Security Deposits	78,024	78,024
Property and Equipment, net	574,059	612,213
<b>Total assets</b>	<b>\$ 1,114,393</b>	<b>\$ 1,156,594</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Note payable, bank	\$ -	\$ 300,000
Accounts payable and accrued expenses	562,305	747,457
Refundable advances	51,594	129,875
<b>Total current liabilities</b>	<b>613,899</b>	<b>1,177,332</b>
Unrestricted Net Assets (Deficit)	500,494	(20,738)
<b>Total liabilities and net assets</b>	<b>\$ 1,114,393</b>	<b>\$ 1,156,594</b>

**BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL**

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
Revenue and support:		
Program service fees:		
Regular education	\$ 4,263,961	\$ 3,737,482
Special education	213,056	170,911
Grants and other	436,024	205,951
<b>Total revenue</b>	<b>4,913,041</b>	<b>4,114,344</b>
Operating expenses:		
Program services:		
Regular education	3,548,898	3,466,454
Special education	297,699	285,156
General and administrative	545,212	535,530
<b>Total expenses</b>	<b>4,391,809</b>	<b>4,287,140</b>
<b>Change in unrestricted net assets</b>	<b>521,232</b>	<b>(172,796)</b>
Unrestricted net assets (deficit), beginning of year	(20,738)	152,058
Unrestricted net assets (deficit), end of year	<b>\$ 500,494</b>	<b>\$ (20,738)</b>

BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2009 and 2008

	2009				2008			
	Program Services Regular Education	Special Education	General and Administrative	Total	Program Services Regular Education	Special Education	General and Administrative	Total
Salaries	\$ 2,040,316	\$ 178,876	\$ 239,051	\$ 2,458,243	\$ 1,995,034	\$ 170,511	\$ 233,272	\$ 2,398,817
Payroll taxes and fringe benefits	538,162	56,123	64,016	658,301	479,744	53,118	57,400	590,262
Bad debt expense	-	-	-	-	2,959	184	-	3,143
Depreciation	126,773	8,191	14,996	149,960	105,880	6,569	12,494	124,943
Insurance	27,056	1,748	24,148	52,952	38,176	2,369	11,642	52,187
Interest expense	-	-	12,333	12,333	-	-	13,305	13,305
Loss on disposal of fixed assets	-	-	15,012	15,012	-	-	-	-
Marketing	-	-	35,604	35,604	-	-	15,582	15,582
Miscellaneous	5,320	344	-	5,664	20,241	1,256	-	21,497
Office and computer supplies	-	-	5,989	5,989	-	-	31,487	31,487
Postage and delivery	8,972	580	962	10,514	10,627	659	1,137	12,423
Printing and publications	5,747	371	89	6,207	12,051	748	186	12,985
Professional fees	-	-	48,238	48,238	-	-	74,441	74,441
Rent	374,378	24,189	43,433	442,000	340,175	21,106	39,370	400,651
Repairs, maintenance and janitorial	159,468	10,303	2,802	172,573	167,719	10,406	2,940	181,065
Security and utilities	69,085	4,464	7,367	80,916	77,905	4,833	8,287	91,025
Service charges and fees	-	-	16,175	16,175	-	-	17,340	17,340
Staff recruiting and development	30,761	1,987	5,945	38,693	40,132	2,490	7,737	50,359
Staff parking	36,288	2,345	892	39,525	31,853	1,976	781	34,610
Telephone	17,229	1,113	3,439	21,781	13,394	831	1,238	15,463
Textbooks and school supplies	86,194	5,569	-	91,763	90,743	5,630	-	96,373
Transportation	12,659	818	4,721	18,198	18,525	1,149	6,891	26,565
Uniforms	10,490	678	-	11,168	21,296	1,321	-	22,617
	<u>\$ 3,548,898</u>	<u>\$ 297,699</u>	<u>\$ 545,212</u>	<u>\$ 4,391,809</u>	<u>\$ 3,466,454</u>	<u>\$ 285,156</u>	<u>\$ 535,530</u>	<u>\$ 4,287,140</u>

**BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL**

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows From Operating Activities</b>		
Cash receipts from school districts and grants	\$ 4,913,712	\$ 4,081,381
Cash paid for operating expenses	(1,416,248)	(1,033,033)
Cash paid for payroll, taxes and benefits	(3,068,647)	(2,734,439)
Interest paid	(12,333)	(13,305)
<b>Net cash provided by operating activities</b>	<b>416,484</b>	<b>300,604</b>
<b>Cash Flows From Investing Activities</b>		
Refund of security deposits received	-	25,600
Purchases of property and equipment	(126,818)	(257,242)
(Increase) decrease in accounts receivable, landlord	188,015	(188,015)
<b>Net cash provided by (used in) investing activities</b>	<b>61,197</b>	<b>(419,657)</b>
<b>Cash Flows From Financing Activities</b>		
Principal payments under capital lease obligations	-	(17,325)
Net borrowings (repayments) under note payable, bank	(300,000)	300,000
<b>Net cash provided by (used in) financing activities</b>	<b>(300,000)</b>	<b>282,675</b>
<b>Net increase in cash</b>	<b>177,681</b>	<b>163,622</b>
Cash at beginning of year	268,207	104,585
Cash at end of year	\$ 445,888	\$ 268,207
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 521,232	\$ (172,796)
<b>Adjustments to reconcile change in net assets net cash provided by operating activities:</b>		
Depreciation expense	149,960	124,943
Loss on disposal of equipment	15,012	-
Decrease in accounts receivable from school districts and grants	671	28,051
(Increase) decrease in prepaid expenses	(6,958)	13,625
Increase (decrease) in accounts payable and accrued expenses	(185,152)	299,430
Increase (decrease) in refundable advances	(78,281)	7,351
<b>Net cash provided by operating activities</b>	<b>\$ 416,484</b>	<b>\$ 300,604</b>

# BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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### 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 Grade 7 through Grade 12. 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.

#### 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.

# BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### Income taxes:

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

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. The School has elected, as allowed, to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3 until the year ended June 30, 2010. Management does not believe that the adoption of FIN 48 will have a material effect on its 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 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 items on the 2008 financial statements have been reclassified, with no effect on the change in net assets, to be consistent with classifications adopted for the 2009 financial statements.

**BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

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**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.

**Note 3. Property and Equipment**

Property and equipment consists of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 268,867	\$ 322,139
Furniture and fixtures	346,293	262,595
Leasehold improvements	386,897	380,039
	<u>1,002,057</u>	<u>964,773</u>
Less accumulated depreciation	<u>427,998</u>	<u>352,560</u>
	<u>\$ 574,059</u>	<u>\$ 612,213</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, except that 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 7.63% and 8.73% of eligible salary for the years ended June 30, 2009 and 2008, respectively. The required contribution for the years ended June 30, 2009, 2008 and 2007 amounted to \$153,087, \$178,553 and \$130,421, respectively, and is included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

**BUFFALO ACADEMY OF SCIENCE CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

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**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 for the years ended June 30, 2009 and 2008 amounted to \$ -0- and \$300,000, respectively.

**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, 2009:

Years ending June 30,	
2010	\$ 453,050
2011	455,260
2012	455,260
2013	466,641
2014	468,918
Thereafter	<u>2,990,977</u>
Total minimum lease payments	<u>\$ 5,290,106</u>

**Note 7. Subsequent Events**

Management has evaluated subsequent events through October 14, 2009, the date that the financial statements were available to be issued.

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