

BUFFALO STRING WORKS, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020



KIRISITS & ASSOCIATES
CPAS, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

Karen E. Burhans CPA

Lisa M. Kirisits CPA, MBA

To the Board of Directors of
Buffalo String Works, Inc.
Buffalo, New York

We have reviewed the accompanying financial statements of Buffalo String Works, Inc. (a nonprofit organization), which comprise the balance sheet as of August 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Kirisits & Associates CPAS, PLLC

Buffalo, New York
January 4, 2021

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BUFFALO STRING WORKS, INC.
BALANCE SHEET
AUGUST 31, 2020

ASSETS

Cash and cash equivalents	\$ 388,407
Prepaid expenses	<u>1,866</u>
TOTAL ASSETS	<u>\$ 390,273</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 3,971
Deferred revenue	42,215
Accrued expenses	5,369
Paycheck Protection Program (PPP) Loan	<u>26,000</u>
TOTAL LIABILITIES	<u>77,555</u>

NET ASSETS

Without donor restrictions	
Board designated - operating reserve	28,000
Undesignated	166,519
With donor restrictions	<u>118,199</u>
TOTAL NET ASSETS	<u>312,718</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 390,273</u>
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See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without restrictions	With restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 203,778	\$ 155,394	\$ 359,172
Program service revenue	9,541	-	9,541
Net assets released from restriction	171,316	(171,316)	-
TOTAL SUPPORT AND REVENUE	384,635	(15,922)	368,713
EXPENSES			
Program	264,151	-	264,151
Supporting services			
Management and general	45,735	-	45,735
Development	11,999	-	11,999
TOTAL EXPENSES	321,885	-	321,885
INCREASE (DECREASE) IN NET ASSETS	62,750	(15,922)	46,828
NET ASSETS - BEGINNING OF YEAR	131,769	134,121	265,890
NET ASSETS - END OF YEAR	\$ 194,519	\$ 118,199	\$ 312,718

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Program Expenses</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Development</u>	
Salaries	\$ 81,405	\$ 10,192	\$ 10,192	\$ 101,789
Payroll taxes and benefits	8,445	1,058	1,057	10,560
Contracted services	118,005	3,260	-	121,265
Program expenses	26,734	-	-	26,734
Dues and memberships	-	2,673	-	2,673
Insurance	-	2,877	-	2,877
Printing and postage	4,049	714	750	5,513
Professional fees	10,655	21,898	-	32,553
Refreshments	4,200	-	-	4,200
Rent	7,125	-	-	7,125
Travel	3,533	-	-	3,533
Miscellaneous	-	3,063	-	3,063
Total	\$ <u>264,151</u>	\$ <u>45,735</u>	\$ <u>11,999</u>	\$ <u>321,885</u>

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 46,828
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Prepaid expenses	(1,316)
Accounts payable	(308)
Accrued expenses	1,425
Deferred revenue	42,215
Net cash provided by operating activities	<u>88,844</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program loan	<u>26,000</u>
Net cash provided by financing activities	<u>26,000</u>

INCREASE IN CASH 114,844

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 273,563

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 388,407

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Buffalo String Works, Inc. (the Organization) strives to foster vibrant, inclusive communities through the transformative power of music. The Organization was formed to provide high quality instruction on stringed instruments and performance opportunities to under-served populations in the City of Buffalo, New York and to provide training for instructors to expand and replicate the program elsewhere.

Adoption of Accounting Standard

In 2019, the Organization adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard addresses the differences between contributions and exchange transactions, including revenue recognition guidance related to when to recognize a contribution or exchange transaction as revenue. ASU 2018-08 was adopted using the modified prospective method, which requires the Organization to disclose in its first set of financial statements following adoption of the new standard, agreements that are either not complete as of the effective date of the new standard or entered into after the effective date. There were no significant changes in financial statement presentation as a result of adoption of the new standard.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purposes in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and Board of Directors. The board of directors has designated \$28,000 for an operating reserve as of August 31, 2020. Board designated net assets are reported as net assets without donor restrictions in the accompanying balance sheet.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization had net assets with donor restrictions of \$118,199 as of August 31, 2020.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Grants and Contributions

Grant income consists of contributions received primarily from private foundations. Contributions received are measured at their fair values and are reported as an increase in net assets. The Organization 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 or designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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 unrestricted revenue.

Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional grants and promises to give with measurable performance obligations and a right of return are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Management has evaluated all allocations of expenses. Most expenses are directly charged to programmatic or management and general depending on the nature of the expense. Salaries are allocated based on time and effort of program or supporting services benefitted.

NOTE 2 — LIQUIDITY RESOURCES

The Organization's primary source of financial assets is grants and contributions from the public. The Organization has at its disposal cash and cash equivalents, which provide sources of liquidity. The following reflects the Organization's financial assets as of August 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Financial assets at August 31, 2020:	
Cash and cash equivalents	\$ 388,407
Less amounts not available to be used in one year:	
Board designated net assets	(28,000)
Net assets with donor restrictions	(118,199)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 242,208</u>

NOTE 3 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2020, were restricted for the program needs such as instructors, instruments and program administration costs.

NOTE 4 – LEASE

The Organization leases space for its program under a month to month lease. Rent expense for the year ended August 31, 2020 amounted to \$7,125. In August 2020, the Organization entered into a lease that requires monthly payments of \$625 and expires in July 2021.

NOTE 5 – CONTINGENCIES

The Organization has received grants which may be subject to audit by local foundations that provide support to the Organization. Such audits may result in and a request for a return of funds. Management believes that disallowances, if any, will not be material.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a Paycheck Protection Program (“PPP”) loan on April 16, 2020 in the amount of \$26,000 under the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was forgiven in December 2020.

NOTE 7 – RISKS AND UNCERTAINTIES

In March 2020, the spread of Coronavirus COVID-19 became a global pandemic which resulted in a significant decline in the value of financial assets. The Organization’s only financial asset is a checking account which is not subject to market volatility. The full extent of the impact of the pandemic with respect to the Organization’s future funding will depend on future developments.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 4, 2021 (the date on which the financial statements were available to be issued).