

BUFFALO STRING WORKS, INC.

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ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Buffalo String Works, Inc. (a Non-Profit Organization), which comprise the balance sheet as of August 31, 2021, and the related statements of revenues, expenses and changes in fund balances 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 Company 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's 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.

Accountant's 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 conformity with accounting principles generally accepted in the United States of America.

Clark & Nihill CPAs LLP

Certified Public Accountants

West Seneca, New York

December 13, 2021

BUFFALO STRING WORKS, INC.

BALANCE SHEET

AUGUST 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	481,038
Prepaid expenses		<u>1,844</u>

TOTAL ASSETS	\$	<u>482,882</u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	415
Deferred revenue		81,298
Accrued expenses		<u>6,810</u>

TOTAL LIABILITIES		<u>88,523</u>
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NET ASSETS:

Without donor restrictions		
Board designated – operating reserve		28,000
Undesignated		230,769
With donor restrictions		<u>135,590</u>

TOTAL NET ASSETS		<u>394,359</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>482,882</u>
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BUFFALO STRING WORKS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Without restrictions</u>	<u>With restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 184,980	\$ 291,402	\$ 476,382
Program service revenue	20,658	-	20,658
SBA PPP loan forgiven	26,000	-	26,000
Net assets released from restriction	274,011	(274,011)	-
TOTAL SUPPORT AND REVENUE	<u>505,649</u>	<u>17,391</u>	<u>523,040</u>
EXPENSES			
Program	368,284	-	368,284
Supporting services			
Management and general	54,804	-	54,804
Development	18,311	-	18,311
TOTAL EXPENSES	<u>441,399</u>	<u>-</u>	<u>441,399</u>
INCREASE IN NET ASSETS	64,250	17,391	81,641
NET ASSETS – beginning of year	<u>194,519</u>	<u>118,199</u>	<u>312,718</u>
NET ASSETS – end of year	\$ <u>258,769</u>	\$ <u>135,590</u>	\$ <u>394,359</u>

BUFFALO STRING WORKS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Program Expenses</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Development</u>	
FUNCTIONAL EXPENSES				
Salaries	\$ 220,238	\$ 16,810	\$ 15,614	\$ 252,662
Payroll taxes and benefits	22,528	1,320	1,309	25,157
Contracted Services	18,847	204	276	19,327
Program expenses	56,117	-	-	56,117
Dues and memberships	-	6,706	-	6,706
Insurance	4,432	792	53	5,277
Printing and postage	7,094	97	1,059	8,250
Professional fees	27,739	24,345	-	52,084
Refreshments	2,115	-	-	2,115
Rent	8,975	-	-	8,975
Travel	199	-	-	199
Miscellaneous	-	4,530	-	4,530
Total	<u>\$ 368,284</u>	<u>\$ 54,804</u>	<u>\$ 18,311</u>	<u>441,399</u>

BUFFALO STRING WORKS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2021

Cash Flows from Operating Activities:

Increase in net assets	\$	81,641
Adjustments to reconcile change in net assets to Net cash used in operating activities:		
Prepaid expenses		22
Accounts payable		(3,556)
Accrued expenses		1,441
Deferred revenue		<u>39,083</u>
Net Cash Provided by Operating Activities		<u>118,631</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiven		<u>(26,000)</u>
Net Cash Used by Financing Activities		<u>(26,000)</u>
Net Increase in Cash and Cash Equivalents		92,631
Cash and Cash Equivalents – beginning of year		<u>388,407</u>
Cash and Cash Equivalents – end of year	\$	<u><u>481,038</u></u>

BUFFALO STRING WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies:

1. Description of Organization:

Buffalo String Works, Inc. (the Organization) delivers world class music education to diverse youth that inspires personal and community transformation. The Organization provides rigorous music instruction and a creative home for 100 refugee, immigrant, and historically marginalized youth in the City of Buffalo, NY. By lifting up the voices of families, the Organization cultivates youth to be agents of social change.

2. 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.

3. 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 new 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, 2021. Board designated net assets are reported as net assets without donor restrictions in the accompanying balance sheet.

BUFFALO STRING WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (continued):

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 \$135,590 as of August 31, 2021.

4. Basis of Accounting:

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

5. Cash and Cash Equivalents:

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

6. Grants and Contributions:

Grant income consist 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 restrictions 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.

7. Use of Estimates:

The preparations 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

YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (continued):

8. 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.

9. 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.

10. 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).

11. 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.

BUFFALO STRING WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

B. 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, 2021, 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, 2021		
Cash and cash equivalents	\$	481,038
Less amounts not available to be used in one year:		
Board designated net assets		(28,000)
Net assets with donor restrictions		(135,590)
Financial assets available to meet cash needs for general		<u> </u>
Expenditures within one year	\$	<u>317,448</u>

C. Net Assets With Donor Restrictions:

Net assets with donor restrictions at August 31, 2021, were restricted for the program needs such as instructors, instruments and program administration costs.

D. Lease:

In August 31, 2020, the Organization entered into a lease that required monthly payments of \$625, expired in July 2021. Rent expense for the year ended August 31, 2021 amounted to \$8,975. In August 2021, the Organization entered into a lease requiring monthly payments of \$4,333, beginning September 15, 2021, expiring in September 2022.

E. 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

YEAR ENDED AUGUST 31, 2021

F. Paycheck Protections 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.

G. 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 Organizations future funding will depend on the future developments.

H. Subsequent Events:

Events that occur after the balance sheet date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. The management has evaluated the activity of the Organization through December 13, 2021 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.