

BUFFALO STRING WORKS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



KIRISITS & ASSOCIATES
CPAS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Karen E. Burhans CPA
Lisa M. Kirisits CPA, MBA

Independent Accountants' Review Report

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 December 31, 2017, 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.

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 accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed Buffalo String Works, Inc. financial statements and in our conclusion dated July 22, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

Kirisits & Associates CPAs, PLLC

Buffalo, New York
August 21, 2018

BUFFALO STRING WORKS, INC.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents	\$ 139,963	\$ 31,642
Accounts receivable	-	10,227
TOTAL ASSETS	\$ 139,963	\$ 41,869

LIABILITIES AND NET ASSETS

LIABILITIES

Deferred revenue	\$ -	\$ 7,868
TOTAL LIABILITIES	-	7,868

NET ASSETS

Unrestricted net assets	120,413	34,001
Temporarily restricted net assets	19,550	-
TOTAL NET ASSETS	139,963	34,001

TOTAL LIABILITIES AND NET ASSETS	\$ 139,963	\$ 41,869
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BUFFALO STRING WORKS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

CHANGES IN UNRESTRICTED NET ASSETS	2017	2016
SUPPORT AND REVENUE		
Grants and contributions	\$ 70,116	\$ 59,204
Program service revenue	1,429	1,053
Fundraising revenue, net of direct expenses of \$5,031	49,687	-
Other	34	-
Net assets released from restriction	33,900	-
TOTAL UNRESTRICTED REVENUE	155,166	60,257
 EXPENSES		
Program	55,207	29,924
Supporting services	13,547	10,225
TOTAL EXPENSES	68,754	40,149
INCREASE IN UNRESTRICTED NET ASSETS	86,412	20,108
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants and contributions	53,450	-
Net assets released from restriction	(33,900)	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	19,550	-
INCREASE IN NET ASSETS	105,962	20,108
 NET ASSETS - BEGINNING OF YEAR	34,001	13,893
NET ASSETS - END OF YEAR	\$ 139,963	\$ 34,001

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	Program Expenses	Supporting Services		2017	2016
		Management and General	Development		
Contracted services	\$ 30,394	\$ 1,505	\$ 7,000	\$ 38,899	\$ 12,033
Program expenses	16,989	-	-	16,989	15,634
Insurance	-	2,401	-	2,401	1,967
Office supplies	979	-	-	979	759
Professional fees	-	2,158	-	2,158	1,579
Refreshments	1,440	-	-	1,440	-
Rent	1,200	-	-	1,200	2,450
Transportation	4,205	-	-	4,205	4,178
Website	-	-	96	96	464
Miscellaneous	-	-	387	387	1,085
Total	\$ 55,207	\$ 6,064	\$ 7,483	\$ 68,754	\$ 40,149

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 105,962	\$ 20,108
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Accounts receivable	10,227	(10,227)
Deferred revenue	(7,868)	7,868
Net cash provided by operating activities	<u>108,321</u>	<u>17,749</u>
 INCREASE IN CASH	 108,321	 17,749
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>31,642</u>	 <u>13,893</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 139,963</u></u>	 <u><u>\$ 31,642</u></u>

See accompanying notes and independent accountants' review report.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Buffalo String Works, Inc. (the Organization) is a not-for-profit organization whose purpose is to provide high quality instruction on stringed instruments and performance opportunities to underserved populations in the City of Buffalo, New York and to provide training for instructors to expand and replicate the program elsewhere.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets of \$19,550 were temporarily restricted for program purposes at December 31, 2017. There were no temporarily restricted net assets as of December 31, 2016. There were no permanently restricted net assets as of December 31, 2017 or 2016.

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

Deferred Revenue

The Organization is the recipient of grants that require expenditure for specified activities by the grantor. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as deferred revenue.

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.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

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. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific purpose or time period. 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 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.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation

The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts presented in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE 2 – ACCOUNTS RECEIVABLE

The Organization entered into a Memorandum of Understanding (MOU) with another tax exempt organization to collect funds that were being held in trust. The funds represent contributions that were solicited and collected by the other tax exempt organization on behalf of the Organization. The terms of the MOU required monthly payments of \$1,000 until such time the receivable is paid in full. Accounts receivable at December 31, 2017 and 2016 amounted to \$0 and \$10,227, respectively.

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 – LEASE

The Organization leases space for its program under a month to month lease. Rent expense for each year ended December 31, 2017 and 2016 amounted to \$1,200.

NOTE 4 – CONTINGENCIES

The Organization has received grants which are subject to audit by agencies of the state and federal government. Such audits may result in and a request for a return of funds. Management believes that disallowances, if any, will not be material.

NOTE 5 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 21, 2018 (the date on which the financial statements were available to be issued).