

**BUFFALO STRING WORKS, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



**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, 2018, 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.

**Summarized Comparative Information**

We previously reviewed Buffalo String Works, Inc. financial statements and in our conclusion dated August 21, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

*Kirisits & Associates CPAS, PLLC*

Buffalo, New York  
October 3, 2019

716-881-0089 • Fax: 716-332-3772  
1231 DELAWARE AVENUE, SUITE #6, BUFFALO, NY 14209  
www.kirisitscpa.com

**BUFFALO STRING WORKS, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 153,862	\$ 139,963
Prepaid expenses	<u>500</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 154,362</u></b>	<b><u>\$ 139,963</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

	-	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**NET ASSETS**

Without donor restrictions		
Board designated - operating reserve	28,000	-
Undesignated	62,583	120,413
With donor restrictions	<u>63,779</u>	<u>19,550</u>
<b>TOTAL NET ASSETS</b>	<b><u>154,362</u></b>	<b><u>139,963</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 154,362</u></b>	<b><u>\$ 139,963</u></b>

See accompanying notes and independent accountants' review report.

**BUFFALO STRING WORKS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2018</b>	<b>2017</b>
<b>SUPPORT AND REVENUE</b>		
Grants and contributions	\$ 50,179	\$ 70,150
Program service revenue	2,319	1,429
Fundraising revenue, net of direct expenses of \$6,029 and \$5,031 in 2018 and 2017	2,579	49,687
Net assets released from restriction	94,570	33,900
<b>TOTAL SUPPORT AND REVENUE</b>	<b>149,647</b>	<b>155,166</b>
 <b>EXPENSES</b>		
Program	146,467	55,207
Supporting services	33,010	13,547
<b>TOTAL EXPENSES</b>	<b>179,477</b>	<b>68,754</b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(29,830)</b>	<b>86,412</b>
 <b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants and contributions	138,799	53,450
Net assets released from restriction	(94,570)	(33,900)
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>44,229</b>	<b>19,550</b>
<b>INCREASE IN NET ASSETS</b>	<b>14,399</b>	<b>105,962</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	<b>139,963</b>	<b>34,001</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 154,362</b>	<b>\$ 139,963</b>

See accompanying notes and independent accountants' review report.

**BUFFALO STRING WORKS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)**

	<u>Program Expenses</u>	<u>Supporting Services</u>		<u>2018</u>	<u>2017</u>
		<u>Management and General</u>	<u>Development</u>		
Contracted services	\$ 91,506	\$ 9,806	\$ 9,710	\$ 111,022	\$ 38,899
Program expenses	42,451	-	-	42,451	16,989
Insurance	-	2,450	-	2,450	2,401
Office supplies	-	2,136	-	2,136	979
Professional fees	-	8,657	-	8,657	2,158
Refreshments	1,393	-	-	1,393	1,440
Rent	4,800	-	-	4,800	1,200
Transportation	6,317	-	-	6,317	4,205
Website	-	40	-	40	96
Miscellaneous	-	211	-	211	387
Total	<u>\$ 146,467</u>	<u>\$ 23,300</u>	<u>\$ 9,710</u>	<u>\$ 179,477</u>	<u>\$ 68,754</u>

See accompanying notes and independent accountants' review report.

**BUFFALO STRING WORKS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 14,399	\$ 105,962
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Accounts receivable	(500)	10,227
Deferred revenue	-	(7,868)
Net cash provided by operating activities	<u>13,899</u>	<u>108,321</u>
 <b>INCREASE IN CASH</b>	 13,899	 108,321
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>139,963</u>	 <u>31,642</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u>\$ 153,862</u>	 <u>\$ 139,963</u>

See accompanying notes and independent accountants' review report.

**BUFFALO STRING WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization**

Buffalo String Works, Inc. (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**

The Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016–14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which became effective for annual financial statements issued for fiscal years beginning after December 15, 2017. ASU 2016–14 improves the financial reporting of not-for-profit organizations by providing more useful information to donors, grantors, creditors and other financial statement users. ASU 2016-14 changes the existing classes of net assets, improves the transparency and utility of liquidity information, changes the required presentation of cash flow information and requires the presentation of expenses by both function and natural classification. As a result of the adoption of ASU 2016–14, the Organization has presented its net asset classifications as such and expanded the disclosures related to supporting service expenses and liquidity information.

**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 for the year ended December 31, 2018. Board designated net assets are reported as net assets without donor restrictions in the accompanying statement of financial position.

**Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions which are expected to be met by the Organization or by the passage of time. The Organization had net assets with donor restrictions of \$63,779 and \$19,550 at December 31, 2018 and 2017, respectively.

**Basis of Accounting**

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

**BUFFALO STRING WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

---

**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.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not on a functional expense basis. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**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.

**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. 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.

**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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**BUFFALO STRING WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

---

**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 December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Financial assets at year end:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 153,862	\$ 139,963
Less amounts not available to be used in one year:		
Board designated net assets	(28,000)	-
Net assets with donor restrictions	<u>(63,779)</u>	<u>(19,550)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 62,083</u>	<u>\$ 120,413</u>

**NOTE 3 — NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2018 and 2017, 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 years ended December 31, 2018 and 2017 amounted to \$4,800 and \$1,200, respectively.

**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.

**NOTE 6 – SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 3, 2019 (the date on which the financial statements were available to be issued).