

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 statement of financial position as of August 31, 2022, and the related statements of activities and changes in fund balances, 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 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.

We are required to be independent of Buffalo String Works, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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

November 7, 2022

1325 Union Road | West Seneca, NY 14224 | www.cqhcpcas.com | office 716.674.4459 fax 716.674.0570

BUFFALO STRING WORKS, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 644,043
Grants receivable	28,438
Prepaid expenses	4,304
Security deposits	4,333

TOTAL ASSETS **\$ 681,118**

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 9,609
Deferred revenue	116,054

TOTAL LIABILITIES **125,663**

NET ASSETS:

Without donor restrictions	
Board designated – operating reserve	28,000
Undesignated	289,344
With donor restrictions	238,111

TOTAL NET ASSETS **555,455**

TOTAL LIABILITIES AND NET ASSETS **\$ 681,118**

BUFFALO STRING WORKS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Without restrictions</u>	<u>With restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 237,924	\$ 567,291	\$ 805,215
Program service revenue	27,263	-	27,263
Net assets released from restriction	<u>464,770</u>	<u>(464,770)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>729,957</u>	<u>102,521</u>	<u>832,478</u>
EXPENSES			
Program	531,358	-	531,358
Supporting services			
Management and general	68,091	-	68,091
Development	<u>71,933</u>	<u>-</u>	<u>71,933</u>
TOTAL EXPENSES	<u>671,382</u>	<u>-</u>	<u>671,382</u>
INCREASE IN NET ASSETS	58,575	102,521	161,096
NET ASSETS – beginning of year	<u>258,769</u>	<u>135,590</u>	<u>394,359</u>
NET ASSETS – end of year	\$ <u>317,344</u>	\$ <u>238,111</u>	\$ <u>555,455</u>

BUFFALO STRING WORKS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2022

		<u>Supporting Services</u>		
	<u>Program Expenses</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
FUNCTIONAL EXPENSES				
Salaries	\$ 309,005	\$ 41,630	\$ 51,882	\$ 402,517
Payroll taxes and benefits	32,304	4,418	5,180	41,902
Contracted Services	7,000	-	-	7,000
Program expenses	58,531	-	-	58,531
Dues and memberships	7,157	801	9,356	17,314
Insurance	6,995	2,000	84	9,079
Printing and postage	9,316	-	2,742	12,058
Professional fees	20,049	9,857	1,349	31,255
Refreshments	11,638	-	-	11,638
Rent	62,800	-	-	62,800
Travel	6,563	2,303	1,340	10,206
Miscellaneous	-	7,082	-	7,082
Total	\$ <u>531,358</u>	\$ <u>68,091</u>	\$ <u>71,933</u>	\$ <u>671,382</u>

BUFFALO STRING WORKS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2022

Cash Flows from Operating Activities:	
Increase in net assets	\$ 161,096
Adjustments to reconcile change in net assets to Net cash used in operating activities:	
Grants receivable	(28,438)
Prepaid expenses	(2,460)
Security deposits	(4,333)
Accounts payable	9,194
Accrued expenses	(6,810)
Deferred revenue	<u>34,756</u>
Net Cash Provided by Operating Activities	<u>163,005</u>
Net Increase in Cash and Cash Equivalents	163,005
Cash and Cash Equivalents – beginning of year	<u>481,038</u>
Cash and Cash Equivalents – end of year	\$ <u><u>644,043</u></u>

BUFFALO STRING WORKS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies:

1. Description of Organization:

Buffalo String Works, Inc. (the Organization) inspires personal and community leadership through accessible youth-centered music education. 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, 2022. 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, 2022

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 \$238,111 as of August 31, 2022.

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 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 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, 2022

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, 2022

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, 2022, 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, 2022		
Cash and cash equivalents	\$	644,043
Less amounts not available to be used in one year:		
Board designated net assets		(28,000)
Net assets with donor restrictions		<u>(238,111)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>377,932</u>

C. Net Assets With Donor Restrictions:

Net assets with donor restrictions at August 31, 2022, were restricted for the program needs such as instructors, instruments and program administration costs.

D. Leases:

In August 2021, the Organization entered into a lease for program space requiring monthly payments of \$4,333, beginning September 15, 2021, expiring in September 2022. This lease has been extended through September 14, 2024. Additionally, the Organization entered into a lease for office space requiring monthly payments in the amount of \$900. This lease has been extended with an increase in the payment to \$1,080 monthly, and will terminate July 2024. Rent expense for the year ended August 31, 2022 amounted to \$62,800.

Required payments under these leases amount to \$64,960 for the year ended August 31, 2023, \$63,880 for the year ended August 31, 2024 and \$4,333 for the year ended August 31, 2025.

BUFFALO STRING WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 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 any disallowances will not be material.

F. 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 November 7, 2022 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.