BUFFALO ARTS AND TECHNOLOGY CENTER, INC.

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

December 31, 2022

Lumsden McCormick LLP
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo Arts and Technology Center, Inc.

Opinion

We have audited the balance sheets of Buffalo Arts and Technology Center, Inc. (the Center) as of December 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Lumsden & McCormick, LLP

April 7, 2023

Balance Sheets

December 31,	2022	2021
Assets:		
Cash	$ 2,018,191	$ 1,037,228
Contributions receivable (Note 2)	991,430	162,844
Prepaid expenses	6,351	7,926
Property and equipment, net (Note 3)	633,358	738,913
	$ 3,649,330	$ 1,946,911
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	$ 31,095	$ 44,754
Accrued expenses	17,602	17,383
	48,697	62,137
Net assets:		
Without donor restrictions	1,944,323	1,311,242
With donor restrictions (Note 7)	1,656,310	573,532
	3,600,633	1,884,774
	$ 3,649,330	$ 1,946,911

See accompanying notes.

Statements of Activities

For the years ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Contributions:						
Foundations and others	$ 1,696,251	$ 1,590,038	$ 3,286,289	$ 460,102	$ 267,629	$ 727,731
Government awards	440,692	-	440,692	292,042	-	292,042
Special events	6,967	-	6,967	4,500	-	4,500
Payroll Protection Program loan (Note 9)	-	-	-	135,355	-	135,355
Other income	2,818	-	2,818	33,670	-	33,670
Net assets released from restrictions	507,260	(507,260)	-	743,637	(743,637)	-
Total revenues	2,653,988	1,082,778	3,736,766	1,669,306	(476,008)	1,193,298
Expenses:						
Program	1,314,498	-	1,314,498	1,085,569	-	1,085,569
Administrative	547,019	-	547,019	462,023	-	462,023
Fundraising	159,390	-	159,390	145,829	-	145,829
Total expenses	2,020,907	-	2,020,907	1,693,421	-	1,693,421
Change in net assets	633,081	1,082,778	1,715,859	(24,115)	(476,008)	(500,123)
Net assets - beginning	1,311,242	573,532	1,884,774	1,335,357	1,049,540	2,384,897
Net assets - ending	$ 1,944,323	$ 1,656,310	$ 3,600,633	$ 1,311,242	$ 573,532	$ 1,884,774

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2022	2021
Operating activities:		
Change in net assets	$ 1,715,859	$ (500,123)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	109,463	111,603
Forgiveness of Paycheck Protection Program loan	-	(135,355)
Changes in operating assets and liabilities:		
Contributions receivable	(828,586)	(49,484)
Prepaid expenses	1,575	(2,315)
Accounts payable	(13,659)	943
Accrued expenses	219	(34,896)
Net operating activities	984,871	(609,627)
Investing activities:		
Property and equipment expenditures	(3,908)	-
Financing activities:		
Proceeds from Paycheck Protection Program loan	-	135,355
Net change in cash	980,963	(474,272)
Cash - beginning	1,037,228	1,511,500
Cash - ending	$ 2,018,191	$ 1,037,228

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31, 2022 and 2021

	Program	Administrative	Fundraising	Total 2022	Program	Administrative	Fundraising	Total 2021
Salaries	$ 605,989	$ 341,724	$ 93,791	$ 1,041,504	$ 524,941	$ 319,695	$ 107,028	$ 951,664
Payroll taxes	47,930	27,028	7,418	82,376	41,211	25,098	8,402	74,711
Employee benefits	57,454	32,399	8,892	98,745	47,633	29,009	9,712	86,354
Total salaries and related expenses	711,373	401,151	110,101	1,222,625	613,785	373,802	125,142	1,112,729
Contracted services	194,395	44,806	6,200	245,401	93,738	11,710	4,836	110,284
Program supplies	60,416	-	-	60,416	36,798	-	-	36,798
Field trips	7,680	-	-	7,680	7,846	-	-	7,846
Food	25,173	-	-	25,173	29,100	-	-	29,100
Staff development	-	5,694	-	5,694	-	2,504	-	2,504
Dues and membership	-	3,963	-	3,963	-	3,196	-	3,196
Rent	145,132	7,128	3,676	155,936	139,496	6,851	3,534	149,881
Utilities	18,665	917	473	20,055	11,686	574	296	12,556
Janitorial expense	15,245	749	386	16,380	20,066	986	508	21,560
Repairs and maintenance	10,382	510	263	11,155	4,828	237	122	5,187
Insurance	20,031	984	507	21,522	17,960	882	455	19,297
Office expense	3,371	24,664	756	28,791	2,437	29,064	1,250	32,751
Marketing and public relations	-	-	30,194	30,194	-	-	5,499	5,499
Professional fees	-	29,549	-	29,549	-	23,968	-	23,968
Miscellaneous	756	21,900	4,254	26,910	3,959	3,147	1,556	8,662
	1,212,619	542,015	156,810	1,911,444	981,699	456,921	143,198	1,581,818
Depreciation	101,879	5,004	2,580	109,463	103,870	5,102	2,631	111,603
Total expenses	$ 1,314,498	$ 547,019	$ 159,390	$ 2,020,907	$ 1,085,569	$ 462,023	$ 145,829	$ 1,693,421

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

Buffalo Arts and Technology Center, Inc. (the Center) is a nonprofit corporation organized to deliver career training in health, technology, and agricultural fields to un/underemployed adults and offers an afterschool arts and technology program for high school youth focused on college and career preparation.

Approximately 51% of the Center's revenue was derived from three funding sources for the year ended December 31, 2022. Approximately 37% of the Center's revenue was derived from two funding sources for the year ended December 31, 2021. Contributions receivable from these funding sources totaled approximately $666,000 as of December 31, 2022 (no amounts outstanding as of December 31, 2021). Loss of such funding could adversely affect the Center's operations.

Cash:

Cash balances in financial institutions may exceed federally insured limits at various times and subject the Center to concentrations of credit risk.

Property and Equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Repairs and maintenance are charged to operations as incurred; significant improvements are capitalized.

Contributions:

Contributions are reported at fair value at the date the contribution or pledge to give is made. Contributions are recorded as restricted support if they are received with donor stipulations that limit their use. When a donor restriction is met, 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 reported as revenue without donor restrictions.

Conditional contributions, primarily government awards, are recorded as revenue when the Center meets requirements in compliance with specific agreements. Amounts received before the required conditions are met are reported as refundable advances on the accompanying balance sheets, as applicable. As of December 31, 2022, the Center has been awarded, but not yet received, conditional contributions totaling $167,000.

Contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a valuation adjustment to contribution revenue and a credit to allowance for uncollectibles based on its assessment of the current status of individual accounts and historical trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to allowance for uncollectibles and a credit to contributions receivable. Management has determined an allowance for uncollectible contributions is not necessary as of December 31, 2022 and 2021.

Amounts receivable over more than one year are typically discounted at inception using an appropriate interest rate. In 2022, as determined by management, the estimated discount was not significant to the financial statements and has not been recognized.

Tax Status:

The Center is a 501(c)(3) corporation exempt from income taxes under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in accordance 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.

Functional Expense Allocation:

The Center's costs of providing its services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include depreciation and certain occupancy costs which are allocated on an estimated square footage basis, as well as salaries and benefits, which are allocated on the basis of management's estimates of time and effort.

Subsequent Events:

The Center has evaluated events and transactions for potential recognition or disclosure through April 7, 2023, the date the financial statements were available to be issued.

2. Contributions Receivable:

	2022	2021
Foundations and other	$ 868,776	$ 59,715
Government awards	122,654	103,129
	$ 991,430	$ 162,844
Amounts due in:		
Less than one year	$ 645,002	$ 162,844
One to five years	346,428	-
	$ 991,430	$ 162,844

3. Property and Equipment:

	2022	2021
Leasehold improvements	$ 1,556,439	$ 1,556,439
Furniture and fixtures	133,970	133,970
Equipment	137,873	133,965
	1,828,282	1,824,374
Less accumulated depreciation	1,194,924	1,085,461
	$ 633,358	$ 738,913

4. Short-Term Borrowings:

The Center has available a $125,000 bank demand line of credit with interest payable at prime plus 3.5%, secured by essentially all assets of the Center. No amounts were outstanding at December 31, 2022 and 2021.

5. Leases:

The Center leases office space on a month-to-month basis. Total rental expense under this agreement was $155,936 and $149,881 for the years ended December 31, 2022 and 2021.

6. Pension Plan:

The Center maintains a defined contribution 401(k) retirement plan covering essentially all employees. Employer contributions represent a 5% match of employee elective deferrals which totaled $42,162 and $36,894 for the years ended December 31, 2022 and 2021.

7. Net Assets with Donor Restrictions:

Net assets with donor restrictions are subject to the following purposes or periods:

	2022	2021
Strategic capacity growth	$ 1,000,000	$ -
Specific programs	445,810	311,832
Passage of time	210,500	261,700
	$ 1,656,310	$ 573,532

8. Financial Assets Available for Operating Purposes:

The Center obtains financial assets generally through contributions and fundraising efforts. The financial assets are acquired throughout the year to help meet the Center's cash needs for program and general expenditures. If necessary, the Center also has access to a $125,000 bank demand line of credit (Note 4).

The Center's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at December 31, 2022 and 2021:

	2022	2021
Cash	$ 2,018,191	$ 1,037,228
Contributions receivable	991,430	162,844
	3,009,621	1,200,072
Less net assets restricted by donors	1,656,310	573,532
	$ 1,353,311	$ 626,540

9. COVID-19 Government Assistance:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. In response to the pandemic, during 2021, the Center received a Paycheck Protection Program (PPP) loan of $135,355 from the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan was forgiven by the SBA and included as income on the 2021 statement of activities.

Additional Information
Schedule of Financial Responsibility

As of and for the year ended December 31, 2022

Primary Reserve Ratio:		
Expendable Net Assets:		
= Net assets without donor restrictions	$ 1,944,323	[1]
+ Net assets with donor restrictions	1,656,310	[1]
- Secured and unsecured related party receivable	-	[4]
Property and equipment, net		
Property and equipment - pre-implementation	630,232	[3]
Property and equipment - post-implementation (with debt)	-	[4]
Property and equipment - post-implementation (without debt)	3,126	[3]
Construction in progress (without debt)	-	[4]
- Total property and equipment, net	633,358	[1]
Lease right-of-use asset, net		
Lease right-of-use asset, pre-implementation	-	[4]
Lease right-of-use asset, post-implementation	-	[4]
- Total lease right-of-use asset, net	-	[4]
- Intangible assets	-	[4]
+ Post-employment and pension liabilities	-	[4]
Long-term debt		
Long-term debt, pre-implementation	-	[4]
Long-term debt, post-implementation	-	[4]
Line of credit for construction in progress	-	[4]
+ Total debt	-	[4]
Lease right-of-use asset liability		
Pre-implementation right-of-use asset liability	-	[4]
Post-implementation right-of-use asset liability	-	[4]
- Total lease right-of-use asset liability	-	[4]
- Annuities with donor restrictions	-	[4]
- Term endowments with donor restrictions	-	[4]
- Life income funds with donor restrictions	-	[4]
- Net assets with donor restrictions: restricted in perpetuity	-	[4]
Total Expendable Net Assets	**$ 2,967,275**	
Total Expenses and Losses:		
Total expenses without donor restrictions	$ 2,020,907	[2]
Non-operating and net investment loss	-	[4]
Net investment losses	-	[4]
Pension-related changes other than net periodic costs	-	[4]
Total Expenses and Losses	**$ 2,020,907**	

[1] Balance Sheets
[2] Statements of Activities
[3] Notes to Schedule of Financial Responsibility
[4] Not Applicable

Additional Information
Schedule of Financial Responsibility, continued

As of and for the year ended December 31, 2022

Equity Ratio:		
Modified Net Assets:		
= Net assets without donor restrictions	**$ 1,944,323**	[1]
+ Net assets with donor restrictions	**1,656,310**	[1]
- Intangible assets	**-**	[4]
- Unsecured related party receivables	**-**	[4]
Total Modified Net Assets	**$ 3,600,633**	
Modified Assets:		
= Total assets	**$ 3,649,330**	[1]
- Lease right-of-use asset pre-implementation	**-**	[4]
+ Pre-implementation right-of-use asset liability	**-**	[4]
- Intangible assets	**-**	[4]
- Unsecured related party receivables	**-**	[4]
Total Modified Assets	**$ 3,649,330**	
Net Income Ratio:		
Change in net assets without donor restrictions	**$ 633,081**	[2]
Total revenue and gains without donor restrictions	**$ 2,653,988**	[2]

[1] Balance Sheets
[2] Statements of Activities
[3] Notes to Schedule of Financial Responsibility
[4] Not Applicable

Notes to Schedule of Financial Responsibility

The following information as of and for the year ended December 31, 2022 is required by the Bureau of Proprietary School Supervision as supplemental support for the Schedule of Financial Responsibility as it is not presented in the basic financial statements.

Components of property and equipment, net:		
Property and equipment pre-implementation at December 31, 2021	**$**	**738,913**
Less: Disposals in 2022 on property and equipment pre-implementation		**-**
Less: Depreciation expense in 2022 on property and equipment pre-implementation		**(108,681)**
Property and equipment pre-implementation		**630,232**
Plus: Post-implementation property and equipment (without debt), net of depreciation of $782		**3,126**
Plus: Construction in progress (without debt)		**-**
Total property and equipment, net	**$**	**633,358**