BUFFALO ARTS AND TECHNOLOGY CENTER, INC.

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

December 31, 2023

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 and 2022, 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, 2023 and 2022, 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 (GAAP).

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 GAAP, 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 9, 2024

Balance Sheets

December 31,	2023	2022
Assets:		
Cash	$ 1,130,205	$ 2,018,191
Certificates of deposit	352,107	-
Contributions receivable (Note 2)	573,122	991,430
Prepaid expenses	51,310	6,351
Property and equipment, net (Note 3)	526,651	633,358
Other assets	41,160	-
	$ 2,674,555	$ 3,649,330
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	$ 76,574	$ 31,095
Accrued expenses	15,489	17,602
Other liabilities	41,160	-
	133,223	48,697
Net assets:		
Without donor restrictions	1,226,150	1,944,323
With donor restrictions (Note 7)	1,315,182	1,656,310
	2,541,332	3,600,633
	$ 2,674,555	$ 3,649,330

See accompanying notes.

Statements of Activities

For the years ended December 31,

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions:						
Foundations and others	**$ 384,674**	**$ 242,030**	**$ 626,704**	$ 1,696,251	$ 1,590,038	$ 3,286,289
Government awards	**364,927**	**-**	**364,927**	440,692	-	440,692
Special events	**5,000**	**-**	**5,000**	6,967	-	6,967
Interest income	**28,808**	**-**	**28,808**	320		320
Other income	**3,183**	**-**	**3,183**	2,498	-	2,498
Net assets released from restrictions	**583,158**	**(583,158)**	**-**	507,260	(507,260)	-
Total revenues	**1,369,750**	**(341,128)**	**1,028,622**	2,653,988	1,082,778	3,736,766
Expenses:						
Program	**1,292,366**	**-**	**1,292,366**	1,314,498	-	1,314,498
Administrative	**672,285**	**-**	**672,285**	547,019	-	547,019
Fundraising	**123,272**	**-**	**123,272**	159,390	-	159,390
Total expenses	**2,087,923**	**-**	**2,087,923**	2,020,907	-	2,020,907
Change in net assets	**(718,173)**	**(341,128)**	**(1,059,301)**	633,081	1,082,778	1,715,859
Net assets - beginning	**1,944,323**	**1,656,310**	**3,600,633**	1,311,242	573,532	1,884,774
Net assets - ending	**$ 1,226,150**	**$ 1,315,182**	**$ 2,541,332**	$ 1,944,323	$ 1,656,310	$ 3,600,633

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2023	2022
Operating activities:		
Change in net assets	$ (1,059,301)	$ 1,715,859
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	106,707	109,463
Changes in operating assets and liabilities:		
Contributions receivable	418,308	(828,586)
Prepaid expenses	(44,959)	1,575
Accounts payable	45,479	(13,659)
Accrued expenses	(2,113)	219
Net operating activities	(535,879)	984,871
Investing activities:		
Property and equipment expenditures	-	(3,908)
Purchase of certificates of deposit	(352,107)	-
Net investing activities	(352,107)	(3,908)
Net change in cash	(887,986)	980,963
Cash - beginning	2,018,191	1,037,228
Cash - ending	$ 1,130,205	$ 2,018,191

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31, 2023 and 2022

	Program	Administrative	Fundraising	Total 2023	Program	Administrative	Fundraising	Total 2022
Salaries	$ 594,080	$ 422,324	$ 68,770	$ 1,085,174	$ 605,989	$ 341,724	$ 93,791	$ 1,041,504
Payroll taxes	49,991	35,538	5,787	91,316	47,930	27,028	7,418	82,376
Employee benefits	67,703	48,129	7,837	123,669	57,454	32,399	8,892	98,745
Total salaries and related expenses	711,774	505,991	82,394	1,300,159	711,373	401,151	110,101	1,222,625
Contracted services	170,374	47,708	1,244	219,326	194,395	44,806	6,200	245,401
Program supplies	64,392	-	-	64,392	60,416	-	-	60,416
Field trips	9,710	-	-	9,710	7,680	-	-	7,680
Food	15,009	-	-	15,009	25,173	-	-	25,173
Staff development	-	2,755	-	2,755	-	5,694	-	5,694
Dues and membership	-	4,093	-	4,093	-	3,963	-	3,963
Rent	150,836	7,408	3,821	162,065	145,132	7,128	3,676	155,936
Utilities	18,411	904	466	19,781	18,665	917	473	20,055
Janitorial expense	15,991	787	405	17,183	15,245	749	386	16,380
Repairs and maintenance	10,455	513	265	11,233	10,382	510	263	11,155
Insurance	22,323	1,096	566	23,985	20,031	984	507	21,522
Office expense	3,331	24,272	307	27,910	3,371	24,664	756	28,791
Marketing and public relations	-	-	17,408	17,408	-	-	30,194	30,194
Professional fees	-	41,603	-	41,603	-	29,549	-	29,549
Miscellaneous	447	30,277	13,880	44,604	756	21,900	4,254	26,910
	1,193,053	667,407	120,756	1,981,216	1,212,619	542,015	156,810	1,911,444
Depreciation	99,313	4,878	2,516	106,707	101,879	5,004	2,580	109,463
Total expenses	$ 1,292,366	$ 672,285	$ 123,272	$ 2,087,923	$ 1,314,498	$ 547,019	$ 159,390	$ 2,020,907

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 33% of the Center's revenue was derived from two funding sources for the year ended December 31, 2023. Approximately 47% of the Center's revenue was derived from three funding sources for the year ended December 31, 2022. Contributions receivable from these funding sources totaled approximately $413,364 and $739,820 as of December 31, 2023 and 2022 respectively. 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.

Certificates of Deposit:

Bank certificates of deposit are stated at cost, which approximates fair value, and mature within one year.

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:

Unconditional contributions are reported at fair value at the date the contribution is made or pledged. 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.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. 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 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, 2023 and 2022.

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. Amounts receivable as of December 31, 2023 are expected to be collected within one year.

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, 2023, the Center has been awarded, but not yet received, conditional contributions totaling $152,000.

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 9, 2024, the date the financial statements were available to be issued.

2. Contributions Receivable:

	2023	2022
Foundations and other	$ 432,001	$ 868,776
Government awards	141,121	122,654
	$ 573,122	$ 991,430
Amounts due in:		
Less than one year	$ 573,122	$ 645,002
One to five years	-	346,428
	$ 573,122	$ 991,430

3. Property and Equipment:

	2023	2022
Leasehold improvements	$ 1,556,439	$ 1,556,439
Furniture and fixtures	133,970	133,970
Equipment	137,873	137,873
	1,828,282	1,828,282
Less accumulated depreciation	1,301,631	1,194,924
	$ 526,651	$ 633,358

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, 2023 and 2022.

5. Leases:

The Center leases office space on a month-to-month basis. Total rental expense under this agreement was $162,065 and $155,936 for the years ended December 31, 2023 and 2022.

In October 2023, the Center entered into a ten year building lease agreement requiring monthly payments of $42,400, which increase 2.5% annually over the term of the lease. The lease is expected to commence in the fall of 2024.

6. Retirement Plans:

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 $40,115 and $42,162 for the years ended December 31, 2023 and 2022.

In 2023, the Center established a deferred compensation plan in accordance with section 457(b) of the Internal Revenue Code, which would cover certain management employees. Funds available under this plan at December 31, 2023 amounts to $41,160 and are reported as other assets and other liabilities on the accompanying 2023 balance sheet.

7. Net Assets with Donor Restrictions:

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

	2023	2022
Strategic capacity growth	$ 925,582	$ 1,000,000
Specific programs	369,800	445,810
Passage of time	19,800	210,500
	$ 1,315,182	$ 1,656,310

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, 2023 and 2022:

	2023	2022
Cash	$ 1,130,205	$ 2,018,191
Certificates of deposit	352,107	-
Contributions receivable	573,122	991,430
	2,055,434	3,009,621
Less net assets restricted by donors	1,315,182	1,656,310
	$ 740,252	$ 1,353,311

Additional Information
Schedule of Financial Responsibility

As of and for the year ended December 31, 2023

Primary Reserve Ratio:

	Expendable Net Assets:		
=	Net assets without donor restrictions	$ 1,226,150	1
+	Net assets with donor restrictions	1,315,182	1
-	Secured and unsecured related party receivable	-	4
	Property and equipment, net		
	Property and equipment - pre-implementation	524,307	3
	Property and equipment - post-implementation (with debt)	-	4
	Property and equipment - post-implementation (without debt)	2,344	3
	Construction in progress (without debt)	-	4
-	Total property and equipment, net	526,651	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	**$ 2,014,681**	
	Total Expenses and Losses:		
	Total expenses without donor restrictions	$ 2,087,923	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	**$ 2,087,923**	

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, 2023

Equity Ratio:			
Modified Net Assets:			
=	Net assets without donor restrictions	**$ 1,226,150**	[1]
+	Net assets with donor restrictions	**1,315,182**	[1]
-	Intangible assets	**-**	[4]
-	Unsecured related party receivables	**-**	[4]
	Total Modified Net Assets	**$ 2,541,332**	
Modified Assets:			
=	Total assets	**$ 2,674,555**	[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	**$ 2,674,555**	
Net Income Ratio:			
	Change in net assets without donor restrictions	**$ (718,173)**	[2]
	Total revenue and gains without donor restrictions	**$ 1,369,750**	[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, 2023 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, 2022	$	630,232
Less: Disposals in 2023 on property and equipment pre-implementation		-
Less: Depreciation expense in 2023 on property and equipment pre-implementation		(105,925)
Property and equipment pre-implementation		524,307
Plus: Post-implementation property and equipment (without debt), net of depreciation of $1,564		2,344
Plus: Construction in progress (without debt)		-
Total property and equipment, net	**$**	**526,651**