BUFFALO ARTS AND TECHNOLOGY CENTER, INC.

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

December 31, 2024

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, 2024 and 2023, 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, 2024 and 2023, 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 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, 2025

Balance Sheets

December 31,	2024	2023
Assets:		
Cash	**$ 1,318,506**	$ 1,130,205
Certificates of deposit	**250,000**	352,107
Contributions receivable (Note 2)	**1,853,229**	573,122
Prepaid expenses	**6,669**	51,310
Property and equipment, net (Note 3)	**354,229**	526,651
Right of use assets - lease (Note 5)	**4,564,091**	-
Other assets	**50,851**	41,160
	$ 8,397,575	$ 2,674,555
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	**$ 85,643**	$ 76,574
Accrued expenses	**44,785**	15,489
Refundable advances	**59,604**	-
Lease liabilities (Note 5)	**4,574,469**	-
Other liabilities	**50,851**	41,160
	4,815,352	133,223
Net assets:		
Without donor restrictions	**838,830**	1,226,150
With donor restrictions (Note 7)	**2,743,393**	1,315,182
	3,582,223	2,541,332
	$ 8,397,575	$ 2,674,555

Statements of Activities

For the years ended December 31,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions:						
Foundations and others	$ 609,636	$ 401,854	$ 1,011,490	$ 384,674	$ 242,030	$ 626,704
Capital campaign	293,434	1,662,033	1,955,467	-	-	-
Government awards	921,337	-	921,337	364,927	-	364,927
In-kind (Note 3)	81,125	-	81,125	-	-	-
Special events	7,856	-	7,856	5,000	-	5,000
Interest income	29,090	-	29,090	28,808	-	28,808
Other income	222	-	222	3,183	-	3,183
Loss on disposal of property and equipment (Note 3)	(437,873)	-	(437,873)	-	-	-
Net assets released from restrictions	635,676	(635,676)	-	583,158	(583,158)	-
Total revenues	2,140,503	1,428,211	3,568,714	1,369,750	(341,128)	1,028,622
Expenses:						
Program	1,630,602	-	1,630,602	1,292,366	-	1,292,366
Administrative	721,556	-	721,556	672,285	-	672,285
Fundraising	175,665	-	175,665	123,272	-	123,272
Total expenses	2,527,823	-	2,527,823	2,087,923	-	2,087,923
Change in net assets	(387,320)	1,428,211	1,040,891	(718,173)	(341,128)	(1,059,301)
Net assets - beginning	1,226,150	1,315,182	2,541,332	1,944,323	1,656,310	3,600,633
Net assets - ending	$ 838,830	$ 2,743,393	$ 3,582,223	$ 1,226,150	$ 1,315,182	$ 2,541,332

See accompanying notes.

Statements of Cash Flows

For the years ended December 31,	2024	2023
Operating activities:		
Change in net assets	$ 1,040,891	$ (1,059,301)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	99,567	106,707
Donated property and equipment	(81,125)	-
Loss on disposal of property and equipment	437,853	-
Noncash lease expense	10,206	-
Contributions restricted for long-term purposes	(565,566)	-
Changes in operating assets and liabilities:		
Contributions receivable	(882,107)	418,308
Prepaid expenses	44,641	(44,959)
Accounts payable	9,069	45,479
Accrued expenses	29,296	(2,113)
Refundable advances	59,604	-
Net operating activities	202,329	(535,879)
Investing activities:		
Property and equipment expenditures	(281,706)	-
Purchase of certificates of deposit	(250,000)	(352,107)
Sale of certificates of deposit	352,107	-
Net investing activities	(179,599)	(352,107)
Financing activities:		
Proceeds from contributions restricted for long-term purposes	167,566	-
Principal payments on lease liabilities	(1,995)	-
Net financing activities	165,571	-
Net change in cash	188,301	(887,986)
Cash - beginning	1,130,205	2,018,191
Cash - ending	$ 1,318,506	$ 1,130,205

See accompanying notes.

Statements of Functional Expenses

For the years ended December 31, 2024 and 2023

	2024				2023			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	$ 729,890	$ 450,543	$ 92,551	$ 1,272,984	$ 594,080	$ 422,324	$ 68,770	$ 1,085,174
Payroll taxes	60,817	37,541	7,711	106,069	49,991	35,538	5,787	91,316
Employee benefits	63,758	39,356	8,084	111,198	67,703	48,129	7,837	123,669
Total salaries and related expenses	854,465	527,440	108,346	1,490,251	711,774	505,991	82,394	1,300,159
Contracted services	158,279	47,708	1,244	207,231	30,863	47,708	1,244	79,815
Student certifications and related	160,311	-	-	160,311	139,511	-	-	139,511
Program supplies	52,273	-	-	52,273	64,392	-	-	64,392
Field trips	7,702	-	-	7,702	9,710	-	-	9,710
Food	14,406	-	-	14,406	15,009	-	-	15,009
Staff development	-	1,903	-	1,903	-	2,755	-	2,755
Dues and membership	-	7,687	-	7,687	-	4,093	-	4,093
Rent	218,048	13,623	5,335	237,006	150,836	7,408	3,821	162,065
Utilities	17,854	1,115	437	19,406	18,411	904	466	19,781
Janitorial expense	21,716	1,357	531	23,604	15,991	787	405	17,183
Repairs and maintenance	8,981	561	220	9,762	10,455	513	265	11,233
Insurance	24,251	1,515	593	26,359	22,323	1,096	566	23,985
Office expense	266	24,272	307	24,845	3,331	24,272	307	27,910
Marketing and public relations	-	-	47,135	47,135	-	-	17,408	17,408
Professional fees	-	38,754	-	38,754	-	41,603	-	41,603
Miscellaneous	447	49,898	9,276	59,621	447	30,277	13,880	44,604
	1,538,999	715,833	173,424	2,428,256	1,193,053	667,407	120,756	1,981,216
Depreciation and amortization	91,603	5,723	2,241	99,567	99,313	4,878	2,516	106,707
Total expenses	$ 1,630,602	$ 721,556	$ 175,665	$ 2,527,823	$ 1,292,366	$ 672,285	$ 123,272	$ 2,087,923

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.

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 deposits have original maturities of 12 months.

Property and Equipment:

Property and equipment is stated at cost at the date of purchase or fair market value at the date of donation, 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.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contributions revenue.

Contributions receivable are reviewed for collectability and a provision for doubtful contributions receivable is recorded based upon management's judgement and analysis of donor creditworthiness, past collection experience, and other relevant factors, when necessary. Management has determined an allowance for doubtful contributions is not necessary as of December 31, 2024 and 2023.

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, 2024, the Center has been awarded, but not yet received, conditional contributions totaling approximately $540,000.

In 2024, in conjunction with its move to a new facility, the Center embarked on a capital campaign to raise funds to support the Center's occupancy and related capital costs, program expansion, and sustainability of the Center through program reserves and creation of an endowment fund.

Approximately 40% of the Center's revenue was derived from two funding sources for the year ended December 31, 2024. Approximately 33% of the Center's revenue was derived from three funding sources for the year ended December 31, 2023. Contributions receivable from these funding sources totaled approximately $500,000 and $413,000 as of December 31, 2024 and 2023 respectively.

Net Assets:

The Center's financial position and activities are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are those whose use has been limited by donors for a specific time period, purpose, or to be maintained by the Society in perpetuity.

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, 2025, the date the financial statements were available to be issued.

2. Contributions Receivable:

	2024	2023
Capital campaign	**$ 1,314,173**	$ 432,001
Government awards	**492,105**	141,121
Foundations and other	**131,150**	432,001
	1,937,428	573,122
Less unamortized discount	**84,199**	-
	$ 1,853,229	$ 573,122
Amounts due in:		
Less than one year	**$ 1,165,137**	$ 573,122
One to five years	**772,291**	-
	$ 1,937,428	$ 573,122

3. Property and Equipment:

	2024	2023
Leasehold improvements	**$ 18,758**	$ 1,556,439
Furniture and fixtures	**224,848**	133,970
Equipment	**391,069**	137,873
	634,675	1,828,282
Less accumulated depreciation	**280,446**	1,301,631
	$ 354,229	$ 526,651

In 2024, the Center moved to a new location and began to lease a new facility (Note 5). Accordingly, the Center disposed of leasehold improvements from its previous location and recognized a loss of $437,873 for the year ended December 31, 2024.

Additionally, in 2024, the Center received an in-kind contribution of furniture and fixtures totaling $81,125. The fair value of the donated furniture and fixtures was based on the estimated cost as if purchased by the Center at the date of donation.

Depreciation expense amounted to $97,400 and $106,707 for the years ended December 31, 2024 and 2023.

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, 2024 and 2023.

5. Lease Obligations:

In October 2023, the Center entered into an agreement to lease office space, which commenced in November 2024, under the terms of an operating lease. Before November 2024, the Center leased office space on a month-to month basis.

At inception of lease arrangements, a lease liability and corresponding right of use (ROU) asset are recorded based on the present value of the minimum future lease payments. If the lease arrangement also contains non-lease components, the Center elected the practical expedient not to separate any combined lease and non-lease components for all lease contracts.

The present value of the Center's operating lease liability was calculated using a risk-free rate of 4.33% at the time of lease commencement. As of December 31, 2024, the operating ROU asset amounted to $4,533,759 and the lease liability amounted to $4,543,964.

Additionally, in September 2024, the Center entered into an agreement to lease certain equipment under terms of a financing lease. The present value of the Center's finance lease liability was calculated using a risk-free rate of 3.49% at the time of lease commencement. As of December 31, 2024, the financing ROU asset amounted to $30,332 and the lease liability amounted to $30,505.

When applicable, leases with expected durations of 12 months or less from inception (i.e. short-term leases) are excluded from the Center's calculation of its lease liabilities and ROU assets.

The following is a summary of the Center's total lease costs, including amounts under short-term lease agreements, for the years ended December 31:

	2024	2023
Operating lease cost	$ 237,006	$ 165,065
Financing lease cost:		
Interest on lease liabilities	363	-
Amortization of right of use assets	2,167	-
	$ 239,536	$ 165,065

The following is a summary of cash paid for amounts included in the measurement of lease liabilities for the years ended December 31:

	2024	2023
Operating cash flows used for operating lease	$ 42,400	$ -
Operating cash flows used for interest payments	363	-
Financing cash flows used for principal payments	1,995	-
	$ 44,758	$ -

The following is a summary of the Center's maturity of its operating and financing lease liabilities at December 31, 2024:

	Operating Lease	Financing Lease	Total
2025	$ 510,920	$ 7,068	$ 517,988
2026	523,693	7,068	530,761
2027	536,785	7,068	543,853
2028	550,205	7,068	557,273
2029	563,960	4,123	568,083
Thereafter	2,929,917	-	2,929,917
	5,615,480	32,395	5,647,875
Amounts representing interest	1,071,516	1,890	1,073,406
Net liability	$ 4,543,964	$ 30,505	$ 4,574,469

As of December 31, 2024, the weighted average remaining lease term was 9.7 years.

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 $45,511 and $40,115 for the years ended December 31, 2024 and 2023.

The Center also maintains a deferred compensation plan in accordance with section 457(b) of the Internal Revenue Code, which covers certain management employees. Funds available under this plan at December 31, 2024 and 2023 totaled $50,851 and $41,160, and are reported as other assets and other liabilities on the accompanying balance sheets.

7. Net Assets with Donor Restrictions:

Net assets with donor restrictions are subject to the following purposes or period as of December 31:

	2024	2023
Program support and initiatives	$ 2,398,644	$ 1,200,347
Capital and occupancy	344,749	114,835
	$ 2,743,393	$ 1,315,182

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:

	2024	2023
Cash	$ 1,318,506	$ 1,130,205
Certificates of deposit	250,000	352,107
Contributions receivable	1,853,229	573,122
	3,421,735	2,055,434
Less net assets restricted by donors	2,743,393	1,315,182
	$ 678,342	$ 740,252

9. Contingencies:

The Center is involved in legal proceedings that in the opinion of management, will not have a material adverse effect upon the financial condition of the Center.

Additional Information
Schedule of Financial Responsibility

As of and for the year ended December 31, 2024

Primary Reserve Ratio:

	Expendable Net Assets:		
=	Net assets without donor restrictions	$ 838,830	1
+	Net assets with donor restrictions	2,743,393	1
-	Secured and unsecured related party receivable	-	4
	Property and equipment, net		
	Property and equipment - pre-implementation	-	3
	Property and equipment - post-implementation (with debt)	-	4
	Property and equipment - post-implementation (without debt)	354,229	3
	Construction in progress (without debt)	-	4
-	Total property and equipment, net	354,229	1
	Lease right-of-use asset, net		
	Lease right-of-use asset, pre-implementation	-	4
	Lease right-of-use asset, post-implementation	4,564,091	1
-	Total lease right-of-use asset, net	4,564,091	1
-	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 (not to exceed right-of-use asset, net)		
	Pre-implementation right-of-use asset liability	-	4
	Post-implementation right-of-use asset liability	4,564,091	1
-	Total lease right-of-use asset liability	4,564,091	1
-	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	**$ 3,227,994**	
	Total Expenses and Losses:		
	Total expenses without donor restrictions	$ 2,527,823	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	**$ 2,527,823**	

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, 2024

Equity Ratio:		
Modified Net Assets:		
= Net assets without donor restrictions	$ 838,830	[1]
+ Net assets with donor restrictions	2,743,393	[1]
- Intangible assets	-	[4]
- Unsecured related party receivables	-	[4]
Total Modified Net Assets	$ 3,582,223	
Modified Assets:		
= Total assets	$ 8,397,575	[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	$ 8,397,575	
Net Income Ratio:		
Change in net assets without donor restrictions	$ (387,320)	[2]
Total revenue and gains without donor restrictions	$ 2,140,503	[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, 2024 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, 2023	$ 524,307
Less: Disposals in 2024 on property and equipment pre-implementation	(437,853)
Less: Depreciation expense in 2024 on property and equipment pre-implementation	(86,454)
Property and equipment pre-implementation	-
Plus: Post-implementation property and equipment (without debt)	354,229
Plus: Construction in progress (without debt)	-
Total property and equipment, net	**$ 354,229**