

**The BISON Children's
Scholarship Fund, Inc.**

Financial Statements

June 30, 2016 and 2015

The BISON Children's Scholarship Fund, Inc.

Financial Statements

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Report of Independent Auditors

To the Board of Directors of
The BISON Children's Scholarship Fund, Inc.
Buffalo, New York

We have audited the accompanying financial statements of The BISON Children's Scholarship Fund, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tronconi Segarra & Associates LLP

October 26, 2016

The BISON Children's Scholarship Fund, Inc.

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
<i>Current Assets</i>		
Cash	\$ 549,102	\$ 699,123
Investments	661,196	565,577
Current maturities of pledges receivable	944,415	924,773
Prepaid expenses and other current assets	<u>5,062</u>	<u>5,754</u>
Total current assets	2,159,775	2,195,227
<i>Equipment and software, net</i>	18,150	5,628
<i>Pledges Receivable, net of current maturities</i>	<u>144,691</u>	<u>72,324</u>
	<u>\$ 2,322,616</u>	<u>\$ 2,273,179</u>
Liabilities and Net Assets		
<i>Current Liabilities</i>		
Accounts payable	\$ 603	\$ 323
Accrued expenses	2,851	7,271
Scholarships payable	<u>1,205</u>	<u>137</u>
Total current liabilities	4,659	7,731
<i>Net Assets</i>		
Unrestricted	1,190,898	1,097,131
Temporarily restricted	<u>1,127,059</u>	<u>1,168,317</u>
Total net assets	<u>2,317,957</u>	<u>2,265,448</u>
	<u>\$ 2,322,616</u>	<u>\$ 2,273,179</u>

See report of independent auditors and notes to financial statements.

The BISON Children's Scholarship Fund, Inc.

Statements of Activities

For the years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>Support and Revenue</i>						
Special events	\$ 266,333	\$ 0	\$ 266,333	\$ 227,405	\$ 0	\$ 227,405
Less costs of direct benefits to donors	32,116	0	32,116	25,429	0	25,429
	234,217	0	234,217	201,976	0	201,976
Contributions - scholarships	0	1,031,860	1,031,860	0	1,131,859	1,131,859
Contributions - general purpose	1,212,103	0	1,212,103	1,206,572	0	1,206,572
Investment income	24,803	0	24,803	17,632	0	17,632
Net assets released from restrictions	1,073,118	(1,073,118)	0	1,064,102	(1,064,102)	0
Total support and revenue	2,544,241	(41,258)	2,502,983	2,490,282	67,757	2,558,039
<i>Expenses</i>						
Program services						
Scholarships	2,270,832	0	2,270,832	2,035,586	0	2,035,586
Supporting services						
Management and general	70,107	0	70,107	62,822	0	62,822
Fundraising	109,535	0	109,535	102,100	0	102,100
Total expenses	2,450,474	0	2,450,474	2,200,508	0	2,200,508
Increase (Decrease) in net assets	93,767	(41,258)	52,509	289,774	67,757	357,531
<i>Net Assets, beginning of year</i>	1,097,131	1,168,317	2,265,448	807,357	1,100,560	1,907,917
<i>Net Assets, end of year</i>	\$ 1,190,898	\$ 1,127,059	\$ 2,317,957	\$ 1,097,131	\$ 1,168,317	\$ 2,265,448

See report of independent auditors and notes to financial statements.

The BISON Children's Scholarship Fund, Inc.

Statements of Functional Expenses For the years ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Scholarships	Management & General	Fundraising		Expenses	Scholarships	Management & General	
Scholarships	\$ 2,205,416	\$ 0	\$ 0	\$ 2,205,416	\$ 1,970,382	\$ 0	\$ 0	\$ 1,970,382
Salaries	47,510	17,843	71,330	136,683	47,606	15,529	69,371	132,506
Payroll taxes and benefits	11,056	3,833	15,043	29,932	10,452	3,388	13,917	27,757
Depreciation	0	2,906	0	2,906	0	2,132	0	2,132
Donor cultivation	0	0	10,580	10,580	0	0	922	922
Insurance	0	3,437	0	3,437	0	3,393	0	3,393
Legal and accounting	0	22,109	0	22,109	0	18,388	0	18,388
Miscellaneous	2,369	0	2,368	4,737	2,115	0	2,115	4,229
Office expense	0	4,943	0	4,943	0	4,191	0	4,191
Postage	753	377	2,637	3,767	808	404	2,827	4,039
Printing and reproduction	130	259	2,202	2,591	399	797	6,777	7,973
Rent - office	0	14,400	0	14,400	0	14,600	0	14,600
Telephone	1,822	0	1,822	3,644	2,031	0	2,030	4,062
Travel and entertainment	222	0	1,999	2,221	293	0	2,641	2,934
Website development	1,554	0	1,554	3,108	1,500	0	1,500	3,000
	<u>\$ 2,270,832</u>	<u>\$ 70,107</u>	<u>\$ 109,535</u>	<u>\$ 2,450,474</u>	<u>\$ 2,035,586</u>	<u>\$ 62,822</u>	<u>\$ 102,100</u>	<u>\$ 2,200,508</u>

See report of independent auditors and notes to financial statements.

The BISON Children's Scholarship Fund, Inc.

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

	2016	2015
<i>Cash Flows from Operating Activities</i>		
Increase in net assets	\$ 52,509	\$ 357,531
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,906	2,132
Net unrealized gain on investments	(10,311)	(5,648)
Net realized gain on sales of investments	0	(97)
Investments received as contributions	(71,043)	(7,148)
(Increase) Decrease in:		
Pledges receivable	(92,009)	73,463
Prepaid expenses and other current assets	692	(2,888)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(4,140)	(205)
Scholarships payable	1,068	(563)
	(120,328)	416,577
<i>Cash Flows from Investing Activities</i>		
Purchases of equipment and software	(15,428)	0
Purchases of investments	(14,265)	(44,081)
Proceeds from sales of investments	0	7,245
	(29,693)	(36,836)
Net cash used in investing activities		
Net (decrease) increase in cash	(150,021)	379,741
<i>Cash, beginning of year</i>	699,123	319,382
<i>Cash, end of year</i>	\$ 549,102	\$ 699,123

See report of independent auditors and notes to financial statements.

The BISON Children's Scholarship Fund, Inc.

Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The BISON Children's Scholarship Fund, Inc. (the “Organization”), is a not-for-profit organization incorporated in 1995 for the purpose of providing scholarships to attend private schools to low-income school children residing in the eight counties of Western New York. The Organization has an agreement with the Children’s Scholarship Fund (“CSF”), a not-for-profit corporation, to administer the scholarship program in this area. Through June 30, 2014, this agreement, subject to certain guidelines and stipulations, provided a \$1 match in funds for every \$3 in donations that were received. The CSF extended this agreement annually for the 2015-2018 fiscal years providing a \$1 match in funds for every \$4 in qualifying donations that are received. The maximum funding available under this agreement is \$365,500, \$286,000 and \$292,000 for the years ending June 30, 2016, 2017 and 2018, respectively.

In 2014, the Organization established The Children First scholarship program which is a new privately funded scholarship established for elementary students in the City of Buffalo beginning with the 2014-2015 school year. The scholarship is one-time only assistance for families of students attending low-performing Buffalo Public Schools (the “District”) in grades K through 7 whose transfer requests could not be accommodated by the District. The first scholarships of the program were awarded in the fall of 2014. Students may renew scholarships each year through the student’s eighth grade school year provided they remain eligible, and meet renewal guidelines.

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had only unrestricted and temporarily restricted net assets in 2016 and 2015.

Investments – Investments include mutual funds, money market funds, corporate bonds, exchange traded funds, and the Organization’s interest in two closely held investment companies. These investments are recorded at fair value as determined by the inputs described below. The difference between the aggregate fair values of the investments at the beginning of the year and the aggregate fair values at the end of the year is recorded as an unrealized gain or loss in the statements of activities. Interest and dividends are recognized when earned or declared. Realized gains and losses are determined on the basis of the specific securities sold.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

The Organization's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. The three levels of the fair value hierarchy, and its applicability to the Organization's investments, are described as:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date.
- Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Also includes inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term through corroboration with observable, independent market data. This includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.
- Level 3 Inputs – Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 includes private investments that are supported by little or no market activity.

Pledges Receivable – Unconditional pledges are recorded as receivables in the year made at the original pledge amount less an unamortized discount for the time value of money. Pledges receivable are considered by management to be fully collectible, and accordingly, no allowance for uncollectible pledges was considered necessary at June 30, 2016 and 2015.

Equipment and software, net – Equipment and software is stated at cost, if purchased, or estimated fair value, if contributed, net of accumulated depreciation. Depreciation is computed using the straight-line method over the approximate economic useful lives of the assets, which range from three to five years. The costs of maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Unrestricted Net Assets – Unrestricted net assets represent resources whose use is not restricted by donor-imposed stipulations and are available for the general support of the Organization, which includes both scholarship awards and administrative costs.

Temporarily Restricted Net Assets – Amounts subject to donor-imposed stipulations are reported as temporarily restricted and increases that net asset class. When a donor-imposed stipulation is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the statements of activities.

Income and Gains on Contributions and Gifts – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

It is the Organization's policy to record contributions when it is determined that they are unconditional. Pledges receivable expected to be collected in less than one year are reflected as current pledges receivable and are recorded at their net realizable value. Pledges receivable expected to be collected in more than one year are reflected as long-term pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts.

In-Kind Contributions – In-kind contributions are donations of goods or services received instead of cash. The Organization recorded in-kind contributions of \$29,841 and \$26,100 during the years ended June 30, 2016 and 2015, respectively, which were recorded as contributions revenue. The in-kind contributions included \$12,200 of rent, \$15,594 of accounting services, \$1,838 of donor cultivation, and \$209 of printing for the year ended June 30, 2016 and \$12,400 of rent, \$11,850 of accounting services, \$300 of postage, \$550 of printing, and \$1,000 of marketing for the year ended June 30, 2015.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Organization is a 501(c)(3) corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Accounting for Uncertainty in Income Taxes – The Organization's management evaluates its tax positions to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based on technical merits of the tax position. All federal and state tax returns filed in years covered under applicable statute of limitations, generally three years after original filings, are subject to audit. Management has analyzed the Organization's tax positions and has concluded that, as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Management Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and financial statement disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events – Management of the Organization has evaluated subsequent events, for recognition or disclosure, through October 26, 2016, the date the Organization's financial statements were available to be issued and determined that no additional recognition or disclosure was required.

2. Significant Concentrations

Cash deposits at financial institutions potentially subject the Organization to concentrations of credit risk as cash may exceed federally insured limits at various times throughout the year.

Major contributors accounted for more than 10% of the Organization's revenue or outstanding pledge receivables. The Organization had revenue from three major contributors which accounted for \$1,666,665, or 67%, and \$1,577,273, or 62%, of total revenue for the years ended June 30, 2016 and 2015, respectively. Pledges receivable outstanding from these contributors accounted for \$854,915, or 78%, and \$877,273 or 88%, of total pledges receivable at June 30, 2016 and 2015, respectively.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

3. Investments

The following is a summary by level within the fair value hierarchy of investments at June 30, 2016:

	2016		
	Cost Basis	Net Unrealized Gains (Losses)	Fair Value
Level 1:			
Mutual funds	\$ 232,886	\$ 31,085	\$ 263,971
Money market fund	149,213	0	149,213
Corporate bonds	95,127	(4,462)	90,665
Exchange traded fund	74,986	10,409	85,395
	552,212	37,032	589,244
Level 2:			
Closely held corporation	60,552	44	60,596
Closely held partnership	10,491	865	11,356
	71,043	909	71,952
	\$ 623,255	\$ 37,941	\$ 661,196

The following is a summary by level within the fair value hierarchy of investments at June 30, 2015:

	2015		
	Cost Basis	Net Unrealized Gains (Losses)	Fair Value
Level 1:			
Mutual funds	\$ 225,048	\$ 24,867	\$ 249,915
Money market fund	142,786	0	142,786
Corporate bonds	95,127	(2,698)	92,429
Exchange traded fund	74,986	5,461	80,447
	\$ 537,947	\$ 27,630	\$ 565,577

All corporate bonds held by the Organization at June 30, 2016 mature in fiscal year 2017.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

3. Investments (continued)

The following summarizes investment income included in the statements of activities for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 14,492	\$ 11,887
Net unrealized gain	10,311	5,648
Net realized gain	0	97
	\$ 24,803	\$ 17,632

4. Pledges Receivable

The Organization has received unconditional pledges for the purpose of awarding scholarships, the administration costs of such awards, and the general support of the Organization. Pledges receivable consists of the following at June 30, 2016 and 2015:

	2016	2015
Receivable in:		
Less than one year	\$ 944,415	\$ 924,773
One to five years	160,500	78,000
	1,104,915	1,002,773
Less discounts to present value	15,809	5,676
	\$ 1,089,106	\$ 997,097

The discount rate used on long-term pledges receivable was 5% at June 30, 2016 and 2015. Increases (decreases) of (\$10,133) and \$8,366 were recognized in scholarship contribution revenue that were the result of the changes in the present value discount of the long-term pledges receivable for the years ended June 30, 2016 and 2015, respectively.

During the years ended June 30, 2015 and 2016, the Organization received conditional grants related to the Children First scholarship program. These grants will award up to a maximum of \$385,000 annually for the eight year period beginning July 1, 2015. The total amount awarded will be based upon the number of students enrolled in the program that meet the specific requirements as detailed in the grant agreements. For the year ended June 30, 2016, the grants received by the Organization exceeded the costs associated with the program by \$37,953; such amount is reflected within temporarily restricted net assets.

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

5. Equipment and Software, net

	2016	2015
Equipment	\$ 3,665	\$ 3,237
Software	22,490	7,490
	26,155	10,727
Less accumulated depreciation	8,005	5,099
	\$ 18,150	\$ 5,628

Depreciation expense totaled \$2,906 and \$2,132 for the years ended June 30, 2016 and 2015, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are pledges receivable or funds that were received that have not yet been designated for expenditure based upon the intent of the donor's gift. At June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Scholarship awards	\$ 877,059	\$ 1,042,817
General organizational support	250,000	125,500
	\$ 1,127,059	\$ 1,168,317

Net assets were released from restriction due to the passage of time and the satisfaction of donor designations, as follows:

	2016	2015
Scholarship awards	\$ 1,012,618	\$ 916,102
General organizational support	60,500	148,000
	\$ 1,073,118	\$ 1,064,102

The BISON Children's Scholarship Fund, Inc.
Notes to Financial Statements (continued)

7. Lease Commitments

The Organization leases office space under a non-cancellable operating lease arrangement through May 2019. The future minimum lease payments due at June 30, 2016, and the related in-kind contribution component, are as follows:

<u>Year ending June 30,</u>	<u>Cash Portion</u>	<u>In-Kind Portion</u>	<u>Total Expense</u>
2017	\$ 2,408	\$ 12,400	\$ 14,808
2018	2,508	12,400	14,908
2019	2,383	11,367	13,750
	<u>\$ 7,299</u>	<u>\$ 36,167</u>	<u>\$ 43,466</u>

Office rent expense totaled \$14,400 and \$14,600 for the years ended June 30, 2016 and 2015, respectively, of which \$12,200 and \$12,400 was classified as in-kind contributions for the years ended June 30, 2016 and 2015, respectively.

8. Related Party Transactions

Certain members of the Organization's Board of Directors have made contributions to the Organization. Additionally, certain members of the Organization's Board of Directors are also directors of other entities which contribute to the Organization. Contributions from these related parties amounted to \$169,549 and \$72,615 for the years ended June 30, 2016 and 2015, respectively. Pledges receivable associated with these related party donors amounted to \$30,000 and \$40,000 for the years ended June 30, 2016 and 2015, respectively.