

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

Financial Statements

June 30, 2015 and 2014

The BISON Children's Scholarship Fund, Inc.

Financial Statements

Table of Contents

	<u>Page</u>
Report of Independent Auditors	
Financial Statements	
Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5-11

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, 2015 and 2014, 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, 2015 and 2014, 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 15, 2015

The BISON Children's Scholarship Fund, Inc.

Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash	\$ 699,123	\$ 319,382
Investments	565,577	515,848
Current maturities of pledges receivable	924,773	958,602
Prepaid expenses and other current assets	<u>5,754</u>	<u>2,866</u>
Total current assets	2,195,227	1,796,698
Equipment and software, net	5,628	7,760
Pledges Receivable, net of current maturities	<u>72,324</u>	<u>111,958</u>
	<u>\$ 2,273,179</u>	<u>\$ 1,916,416</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 323	\$ 654
Accrued expenses	7,271	7,145
Scholarships payable	<u>137</u>	<u>700</u>
Total current liabilities	7,731	8,499
Net Assets		
Unrestricted	1,097,131	807,357
Temporarily restricted	<u>1,168,317</u>	<u>1,100,560</u>
Total net assets	<u>2,265,448</u>	<u>1,907,917</u>
	<u>\$ 2,273,179</u>	<u>\$ 1,916,416</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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>Support and Revenue</i>						
Special events	\$ 227,405	\$ 0	\$ 227,405	\$ 151,364	\$ 0	\$ 151,364
Less costs of direct benefits to donors	25,429	0	25,429	17,731	0	17,731
	201,976	0	201,976	133,633	0	133,633
Contributions - scholarships	0	1,131,859	1,131,859	0	961,350	961,350
Contributions - general purpose	1,206,572	0	1,206,572	1,131,724	10,000	1,141,724
Investment income	17,632	0	17,632	28,380	0	28,380
Net assets released from restrictions	1,064,102	(1,064,102)	0	938,589	(938,589)	0
Total support and revenue	2,490,282	67,757	2,558,039	2,232,326	32,761	2,265,087
<i>Expenses</i>						
Program services						
Scholarships	2,035,586	0	2,035,586	1,780,198	0	1,780,198
Supporting services						
Management and general	62,822	0	62,822	61,437	0	61,437
Fundraising	102,100	0	102,100	114,462	0	114,462
Total expenses	2,200,508	0	2,200,508	1,956,097	0	1,956,097
Increase in net assets	289,774	67,757	357,531	276,229	32,761	308,990
<i>Net Assets, beginning of year</i>	807,357	1,100,560	1,907,917	531,128	1,067,799	1,598,927
<i>Net Assets, end of year</i>	\$ 1,097,131	\$ 1,168,317	\$ 2,265,448	\$ 807,357	\$ 1,100,560	\$ 1,907,917

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, 2015 and 2014

	2015				2014			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Scholarships	Management & General	Fundraising		Expenses	Scholarships	Management & General	
Scholarships	\$ 1,970,382	\$ 0	\$ 0	\$ 1,970,382	\$ 1,717,175	\$ 0	\$ 0	\$ 1,717,175
Salaries	47,606	15,529	69,371	132,506	44,424	14,353	63,636	122,413
Payroll taxes and benefits	10,452	3,388	13,917	27,757	10,797	3,484	14,178	28,459
Depreciation	0	2,132	0	2,132	0	2,146	0	2,146
Donor cultivation	0	0	922	922	0	0	18,219	18,219
Insurance	0	3,393	0	3,393	0	3,115	0	3,115
Legal and accounting	0	18,388	0	18,388	0	18,821	0	18,821
Miscellaneous	2,115	0	2,115	4,229	1,581	0	1,581	3,162
Office expense	0	4,191	0	4,191	0	4,409	0	4,409
Postage	808	404	2,827	4,039	961	481	3,365	4,807
Printing and reproduction	399	797	6,777	7,973	439	878	7,463	8,780
Rent - office	0	14,600	0	14,600	0	13,750	0	13,750
Telephone	2,031	0	2,030	4,062	1,536	0	1,535	3,071
Travel and entertainment	293	0	2,641	2,934	150	0	1,350	1,500
Website development	1,500	0	1,500	3,000	3,135	0	3,135	6,270
	<u>\$ 2,035,586</u>	<u>\$ 62,822</u>	<u>\$ 102,100</u>	<u>\$ 2,200,508</u>	<u>\$ 1,780,198</u>	<u>\$ 61,437</u>	<u>\$ 114,462</u>	<u>\$ 1,956,097</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, 2015 and 2014

	2015	2014
<i>Cash Flows from Operating Activities</i>		
Increase in net assets	\$ 357,531	\$ 308,990
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,132	2,146
Net unrealized gain on investments	(5,648)	(23,602)
Net realized (gain) loss on sales of investments	(97)	4,389
Investments received as contributions	(7,148)	(6,770)
Office equipment received as contributions	0	0
(Increase) Decrease in:		
Pledges receivable	73,463	(2,761)
Prepaid expenses and other current assets	(2,888)	761
Increase (Decrease) in:		
Accounts payable and accrued expenses	(205)	2,038
Scholarships payable	(563)	(107)
	416,577	285,084
<i>Cash Flows from Investing Activities</i>		
Purchases of equipment and software	0	(3,463)
Purchases of investments	(44,081)	(493,922)
Proceeds from sales of investments	7,245	254,276
	(36,836)	(243,109)
Net cash used in investing activities		
Net increase in cash	379,741	41,975
<i>Cash, beginning of year</i>	319,382	277,407
<i>Cash, end of year</i>	\$ 699,123	\$ 319,382
<i>Supplemental Disclosure of Non Cash Transactions</i>		
Purchase of equipment and software with deposit included in other current assets	\$ 0	\$ 4,027

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. Effective June 2014, the CSF extended this agreement for an additional year providing a \$1 match in funds for every \$4 in qualifying donations that are received. The maximum funding available under this agreement is \$275,000 and \$280,500 for the years ending June 30, 2015 and 2016, 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 2015 and 2014.

Investments – Investments include mutual funds, money market funds, corporate bonds and exchange traded funds that are recorded at fair value as determined by quoted market prices. 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 Organization applies the provisions of the standard for *Fair Value Measurements*. This standard defines fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The primary impact of this standard on the Organization is to classify its investments in the amount of \$565,577 and \$515,848 at June 30, 2015 and 2014, respectively, as a Level 1 input, as defined by the standard.

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

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

Level 1 inputs are investments with fair values supported by unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date.

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, 2015 and 2014.

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 is five years for all remaining depreciable assets. 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.

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.

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

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

In-Kind Contributions – In-kind contributions are donations of goods or services received instead of cash. The Organization recorded in-kind contributions of \$26,100 and \$26,573 during the years ended June 30, 2015 and 2014, respectively, which were recorded as contributions revenue. The in-kind contributions included \$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 and \$12,400 of rent, \$12,506 of accounting services, \$667 of postage and \$1,000 of marketing for the year ended June 30, 2014.

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, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

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 15, 2015, the date the Organization's financial statements were available to be issued and determined that no additional recognition or disclosure was required.

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

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. No amounts exceeded the federally insured limit at June 30, 2015 and 2014, respectively.

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 \$1,577,273, or 62%, and \$1,622,602, or 72%, of total revenue for the years ended June 30, 2015 and 2014, respectively. Pledges receivable outstanding from these contributors accounted for \$877,273, or 88%, and \$866,602, or 81%, of total pledges receivable at June 30, 2015 and 2014, respectively.

3. Investments

The following is a summary of investments at June 30, 2015:

	2015		
	Cost	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

The following is a summary of investments at June 30, 2014:

	2014		
	Cost	Net Unrealized Gains (Losses)	Fair Value
Level 1:			
Mutual funds	\$ 218,131	\$ 18,961	\$ 237,092
Money market fund	105,622	0	105,622
Corporate bonds	95,127	(1,239)	93,888
Exchange traded fund	74,986	4,260	79,246
	\$ 493,866	\$ 21,982	\$ 515,848

All corporate bonds held by the Organization at June 30, 2015 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 other income in the statements of activities for the years ended June 30, 2015 and 2014:

	2015	2014
Net realized gain (loss)	\$ 97	\$ (4,389)
Net unrealized gain	5,648	23,602
Interest and dividend income	11,887	9,167
	\$ 17,632	\$ 28,380

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, 2015 and 2014:

	2015	2014
Receivable in:		
Less than one year	\$ 924,773	\$ 958,602
One to five years	78,000	126,000
	1,002,773	1,084,602
Less discounts to present value	5,676	14,042
	\$ 997,097	\$ 1,070,560

The discount rate used on long-term pledges receivable was 5% at June 30, 2015 and 2014. Increases (decreases) of \$8,366 and (\$5,252) 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, 2015 and 2014, respectively.

During the years ended June 30, 2014 and 2015, 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 next eight years beginning in 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, 2015, the grants received by the Organization exceeded the costs associated with the program by \$171,220; 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

	2015	2014
Equipment	\$ 3,237	\$ 28,798
Software	7,490	7,490
	10,727	36,288
Less accumulated depreciation	5,099	28,528
	\$ 5,628	\$ 7,760

Depreciation expense totaled \$2,132 and \$2,146 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, temporarily restricted net assets consisted of the following:

	2015	2014
Scholarship awards	\$ 1,168,317	\$ 952,560
General organizational support	0	148,000
	\$ 1,168,317	\$ 1,100,560

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

	2015	2014
Scholarship awards	\$ 916,102	\$ 911,589
General organizational support	148,000	22,000
Administration costs	0	5,000
	\$ 1,064,102	\$ 938,589

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, 2015, 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>
2016	\$ 2,308	\$ 12,400	\$ 14,708
2017	2,408	12,400	14,808
2018	2,508	12,400	14,908
2019	2,383	11,367	13,750
	<u>\$ 9,607</u>	<u>\$ 48,567</u>	<u>\$ 58,174</u>

Office rent expense totaled \$14,600 and \$13,750 for the years ended June 30, 2015 and 2014, respectively, of which \$12,400 was classified as in-kind contributions during each of the years ended June 30, 2015 and 2014, 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 \$72,615 and \$83,601 for the years ended June 30, 2015 and 2014, respectively. Pledges receivable associated with these related party donors amounted to \$40,000 and \$0 for the years ended June 30, 2015 and 2014, respectively.