

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

Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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

Williamsville, New York
November 20, 2020

The BISON Children's Scholarship Fund, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
<i>Current Assets</i>		
Cash	\$ 497,655	\$ 724,257
Short-term investments	2,867,678	2,025,087
Current maturities of pledges receivable	1,967,584	1,691,143
Other receivables	13,630	0
Prepaid expenses and other current assets	4,922	3,919
Total current assets	5,351,469	4,444,406
<i>Pledges Receivable, net of current maturities</i>	2,425,323	639,130
<i>Investments - Endowment</i>	1,880,739	0
<i>Property and Equipment, net</i>	33,404	40,921
	\$ 9,690,935	\$ 5,124,457
Liabilities and Net Assets		
<i>Current Liabilities</i>		
Accounts payable	\$ 2,085	\$ 45,158
Accrued expenses	6,477	3,827
Deferred revenue	46,705	29,325
Current maturities of paycheck protection program loan	21,320	0
Total current liabilities	76,587	78,310
<i>Paycheck Protection Loan Payable, net of current maturities</i>	21,480	0
<i>Net Assets</i>		
Without donor restrictions	1,778,758	1,992,288
With donor restrictions		
Endowment - permanently restricted	1,880,739	0
Restricted for scholarships	5,904,871	2,998,359
Restricted for operations	28,500	55,500
Total net assets with donor restrictions	7,814,110	3,053,859
Total net assets	9,592,868	5,046,147
	\$ 9,690,935	\$ 5,124,457

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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Special events	\$ 504,955	\$ 0	\$ 504,955	\$ 429,450	\$ 0	\$ 429,450
Less costs of direct benefits to donors	56,526	0	56,526	48,957	0	48,957
	448,429	0	448,429	380,493	0	380,493
Contributions - scholarships	0	1,534,378	1,534,378	0	2,002,355	2,002,355
Contributions - general purpose	808,469	0	808,469	1,215,927	0	1,215,927
Contributions - capital campaign	0	4,978,956	4,978,956	0	0	0
Emergency fund	42,209	0	42,209	0	0	0
Investment income, net	58,653	0	58,653	100,033	0	100,033
Net assets released from restrictions	1,753,083	(1,753,083)	0	1,504,891	(1,504,891)	0
Total revenue	3,110,843	4,760,251	7,871,094	3,201,344	497,464	3,698,808
Expenses						
Program services						
Scholarships	2,734,396	0	2,734,396	2,679,337	0	2,679,337
Supporting services						
Management and general	144,454	0	144,454	91,701	0	91,701
Fundraising	445,523	0	445,523	236,955	0	236,955
Total expenses	3,324,373	0	3,324,373	3,007,993	0	3,007,993
Increase (Decrease) in net assets	(213,530)	4,760,251	4,546,721	193,351	497,464	690,815
Net Assets, beginning of year	1,992,288	3,053,859	5,046,147	1,798,937	2,556,395	4,355,332
Net Assets, end of year	\$ 1,778,758	\$ 7,814,110	\$ 9,592,868	\$ 1,992,288	\$ 3,053,859	\$ 5,046,147

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, 2020 and 2019

	2020				2019			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Scholarships	Management & General	Fundraising		Expenses	Scholarships	Management & General	
Scholarships	\$ 2,642,502	\$ 0	\$ 0	\$ 2,642,502	\$ 2,599,429	\$ 0	\$ 0	\$ 2,599,429
Salaries	65,125	57,825	80,633	203,583	55,654	18,940	90,666	165,260
Payroll taxes and benefits	15,243	8,537	18,231	42,011	12,390	3,949	17,694	34,033
Consulting - endowment	0	0	321,405	321,405	0	0	83,541	83,541
Depreciation	0	10,141	0	10,141	0	11,818	0	11,818
Donor cultivation	0	0	6,118	6,118	0	0	26,170	26,170
Insurance	0	5,465	0	5,465	0	3,589	0	3,589
Legal and accounting	0	39,827	0	39,827	0	30,037	0	30,037
Miscellaneous	3,548	0	3,547	7,095	2,834	0	2,833	5,667
Office expense	0	9,191	0	9,191	0	11,044	0	11,044
Postage	445	223	1,559	2,227	899	450	3,147	4,496
Printing and reproduction	431	862	7,330	8,623	416	831	7,065	8,312
Rent - office	0	12,383	0	12,383	0	11,043	0	11,043
Software maintenance	5,147	0	1,481	6,628	5,613	0	685	6,298
Telephone	1,547	0	1,546	3,093	1,720	0	1,720	3,440
Travel and entertainment	408	0	3,673	4,081	382	0	3,434	3,816
	<u>\$ 2,734,396</u>	<u>\$ 144,454</u>	<u>\$ 445,523</u>	<u>\$ 3,324,373</u>	<u>\$ 2,679,337</u>	<u>\$ 91,701</u>	<u>\$ 236,955</u>	<u>\$ 3,007,993</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, 2020 and 2019

	2020	2019
<i>Cash Flows from Operating Activities</i>		
Increase in net assets	\$ 4,546,721	\$ 690,815
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,141	11,818
Net unrealized gain on investments	(47,178)	(40,839)
Net realized (gain) loss on sales of investments	65,207	(22,789)
Investments received as contributions	(1,423,408)	(16,632)
Change in present value discount of pledges receivable	249,475	(21,387)
(Increase) Decrease in:		
Pledges receivable	(2,312,109)	(302,088)
Other receivables	(13,630)	0
Prepaid expenses and other current assets	(1,003)	847
Increase (Decrease) in:		
Accounts payable	(43,073)	44,891
Accrued expenses	2,650	(13)
Deferred revenue	17,380	29,325
	1,051,173	373,948
<i>Cash Flows from Investing Activities</i>		
Purchases of property and equipment	(2,624)	(38,757)
Purchases of investments	(6,384,262)	(1,908,530)
Proceeds from sales of investments	5,066,311	1,058,057
	(1,320,575)	(889,230)
<i>Cash Flows from Financing Activities</i>		
Proceeds from paycheck protection program loan	42,800	0
	42,800	0
Net decrease in cash	(226,602)	(515,282)
<i>Cash, beginning of year</i>	724,257	1,239,539
<i>Cash, end of year</i>	\$ 497,655	\$ 724,257

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 2015-2022 fiscal years providing a \$1 match in funds for every \$4 in qualifying donations that are received.

In 2014, the Organization established The Children First Scholarship Program which is a 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.

In May 2017, the Organization expanded its program offering and began awarding scholarships to eligible 8th graders for private high school, effective with the 2018-2019 school year.

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 (“GAAP”).

Basis of Presentation – The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Organization had both classes of net assets at June 30, 2020 and 2019.

Short-Term Investments – Investments include money market funds, equities, mutual funds, exchange traded funds, corporate bonds, U.S. treasury securities, 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)

Investments - Endowment – In 2019, the Organization began the Capital Campaign fund. Funds received from donors are deposited into a permanently restricted endowment, maintained in a custodial investment account with TD Ameritrade (the “Custodian”), for the year ended June 30, 2020. Investments are stated at fair value, as determined by quoted market prices.

Fair Value Measurements – 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** – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that are accessible at the measurement date.
- **Level 2** – 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** – 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.

Risk and Uncertainties – Investments are exposed to various risks, such as interest rate and market risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the Organization’s net assets.

Pledges Receivable – Unconditional pledges are recorded as receivables in the year made. 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. Pledges receivable are considered by management to be fully collectible, and accordingly, no allowance for uncollectible pledges was considered necessary at June 30, 2020 and 2019.

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

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

Property and Equipment, net – Property and equipment 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. Amortization of leasehold improvements is computed over the shorter of the lease term or the useful lives of the improvements. The costs of maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Deferred Revenue – Deferred revenue consists of funds received for special events paid in advance. These amounts are recognized as revenue in future periods as the events occur.

Net Assets without Donor Restrictions – Net assets without donor restrictions 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.

Net Assets with Donor Restrictions – Net assets with donor restrictions represent contributions and other inflows of assets for use towards a specific program or purpose, whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported 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.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods, or restricted by the donor for specific purposes are reported as with donor restrictions support that increases that net asset class. In the absence of donor specifications that income and gains on donated funds are restricted, such income and gains are reported as without donor restrictions support. It is the Organization's policy to record contributions of gifts when it is determined that they are unconditional.

In-Kind Contributions – In-kind contributions are donations of goods or services received instead of cash. The Organization recorded in-kind contributions of \$33,790 and \$23,288 during the years ended June 30, 2020 and 2019, respectively, which were recorded as

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

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

contributions revenue. The in-kind contributions included \$32,235 of accounting services, \$1,000 of photography services, and \$555 of printing for the year ended June 30, 2020 and \$22,295 of accounting services and \$993 of printing for the year ended June 30, 2019.

Functional Allocation of Expenses – The costs of providing the Organization’s program has been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program services and supporting services that benefited, including salaries and payroll taxes and benefits that are allocated based on estimates of time and effort. Costs for postage, printing and reproduction, software maintenance, telephone, and travel and entertainment have been allocated based on estimated usage.

Recent Accounting Standards Adopted – Management periodically assesses the applicability of new accounting pronouncements and technical guidance and the effect, if any, on the Organization’s financial statements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to entities with contracts with customers and requires such entities to recognize revenue under a five-step model whereby the entity would first identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations and recognize revenue when (or as) the entity satisfied the performance obligations. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, and ASU 2016-12, *Narrow Scope Improvements and Practical Expedients*, which both defer the effective date and amend certain aspects of ASU 2014-09 and addressed certain implementation issues identified by FASB. The new revenue recognition standard was effective for fiscal years beginning after December 15, 2018.

The Organization adopted the provisions of ASU 2014-09 using the modified retrospective approach for the fiscal year ended June 30, 2020. Although contributions are not specifically detailed in ASU 2014-09, contributions are both voluntary and nonreciprocal; therefore, they do not fall under ASU 2014-09. The adoption of ASU 2014-09 did not have an impact on the timing of the Organization’s revenue recognition or net change in net assets.

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08; *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 applies to entities that receive and/or make contributions and was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

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 adopted the provisions of ASU 2018-08 using the modified retrospective approach for fiscal year ended June 30, 2020. The adoption of ASU 2018-08 did not have an impact on the timing of the Organization's recognition of contribution revenue or the net change in net assets.

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will require organizations that lease assets to recognize on the balance sheet the assets and liabilities related to the rights and obligations created by those leases. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes will be made to align, when necessary, lessor accounting with the lessee accounting model. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which defers the effective date of ASU 2016-02. ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* was issued June 3, 2020 and defers the effective date of Topic 606 for the Organization for its fiscal year beginning after December 15, 2019 (fiscal year ending June 30, 2021), with early adoption permitted, and defers the effective date of Topic 842 for the Organization for its fiscal year beginning after December 15, 2021 (fiscal year ending June 30, 2023), with early adoption permitted.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement-Disclosure Framework (Topic 820)*. The updated guidance improves the disclosure requirements on fair-value measurements and is scheduled to take effect for the Organization for fiscal years ending after June 30, 2021, with early adoption permitted for any removed or modified disclosures.

The Organization is currently evaluating the potential impact of these standards on its financial statements.

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.

Management Estimates – The preparation of financial statements in conformity with GAAP 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 November 20, 2020, the date the accompanying 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.

Major contributors accounted for more than 10% of the Organization's revenue or outstanding pledge receivables. The Organization had revenue from two major contributors in 2020 and three major contributors which accounted for \$2,000,179, or 25%, and \$1,686,844, or 46%, of total revenue for the years ended June 30, 2020 and 2019, respectively. Pledges receivable outstanding from these contributors accounted for \$909,200, or 21%, and \$1,824,049, or 78%, of total pledges receivable at June 30, 2020 and 2019, respectively.

3. Liquidity and Availability of Financial Assets

The Organization primarily generates financial assets through pledges, donations, special events, and through investment income. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures.

The following table presents the Organization's financial assets available for general expenditures within one year of the statement of financial position date:

	2020	2019
Current assets at June 30, excluding non-financial assets:		
Cash	\$ 497,655	\$ 724,257
Investments	2,867,678	2,025,087
Current maturities of pledges receivable	1,967,584	1,691,143
	5,332,917	4,440,487
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	3,508,048	2,998,359
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,824,869	\$ 1,442,128

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

4. Investments

The following summarizes the Organization's investment portfolio as of June 30, 2020 and 2019 by fair value hierarchy levels:

	2020	2019
<i>Current</i>		
Level 1		
Money market funds	\$ 382,559	\$ 69,813
Equities	160,874	279,893
Exchange traded funds	206,266	383,983
Mutual funds	429,979	418,175
U.S. treasury securities	673,082	0
Corporate bonds	936,379	794,484
	2,789,139	1,946,348
Level 2		
Closely held corporation	60,640	61,328
Closely held partnership	17,899	17,411
	78,539	78,739
	\$ 2,867,678	\$ 2,025,087
<i>Endowment</i>		
Level 1		
Money market funds	\$ 413,799	\$ 0
Equities	768,854	0
Corporate bonds	698,086	0
	\$ 1,880,739	\$ 0

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

4. Investments (continued)

The following summarizes net investment income included in the statements of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Short-term investments		
Interest and dividend income	\$ 70,469	\$ 41,115
Net unrealized gain	54,241	40,839
Net realized gain (loss)	(9,804)	22,789
Investment fees	(7,257)	(4,710)
Total investment gain - short term investments	107,649	100,033
Endowment		
Interest and dividend income	18,869	0
Net unrealized loss	(7,063)	0
Net realized loss	(55,403)	0
Investment fees	(5,399)	0
Total investment loss - endowment	(48,996)	0
Investment income, net	\$ 58,653	\$ 100,033

Endowment Summary

Endowment investments are held by TD Ameritrade in a custodial account. Net assets associated with endowment funds are classified and reported based on the existence or absence or donor-imposed restrictions, and are included in the investments balance of the Organization including in the accompanying statements of financial position. The Organization adopted the *Reporting Endowment Funds* guidance related to the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the New York Prudent Management of Institutional Funds Act of 2006 (“NYPMIFA”).

The Organization’s policy, based on its interpretation of NYPMIFA, is to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this policy, the Organization classified as endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor

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

4. Investments (continued)

gift instrument at the time the accumulation is added to the fund. The portion of donor-restricted endowment funds classified as available for scholarships remain as endowment until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by NYPMIFA.

Endowment spending is governed by the provisions of NYPMIFA. For the year ended June 30, 2020, the Organization's policy of appropriating funds for distribution is up to 6.0% of the beginning market value of the immediately prior fiscal year. Since the endowment began in 2019, there were no funds appropriated for spending in the year ended June 30, 2020.

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

The Organization's Board of Directors ("BOD") has approved and adopted an investment policy for endowment assets, held in perpetuity, which attempts to achieve certain returns commensurate with the relevant risk the BOD is willing to accept. Under the investment policy, the endowment assets are invested in a manner which offers sufficient diversification of the Organization's investment portfolio, and achieves investment return objectives to meet or exceed the return of related markets with similar risks. The BOD's goals for the endowment funds are fully outlined in the Organization's investment policy that was adopted in January 2020.

Spending Policy

In accordance with donor's stipulations, the portion of endowment funds available for use are earmarked each year, with the intention that no more than six percent of the beginning market value of the immediately prior fiscal year are unrestricted and available to fund the Organization's operations. The targeted long-run spending rate is five percent; however, the BOD has the authority to vary the spending rate between zero percent and six percent based on extenuating circumstances. Under the investment policy approved by the BOD, funds in excess of the original principal are available for use, with up to six percent of cumulative investment principal and earnings classified as unrestricted for operations, and the remaining surplus above the original gift classified as temporarily restricted for operations. Each year, excess funds available for use are accumulated and accessible should the Organization require these surplus funds in a future year to fund its planned projects and objectives. Should the fair value of investments – endowment fall below the original principal, the BOD shall wait until market conditions improve and the fair value of investments – endowment increases to at least the original principal balance before funds may be appropriated to fund operations.

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

4. Investments (continued)

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 0	\$ 0	\$ 0
Total investment loss, net	0	(48,996)	(48,996)
Subtotal	0	(48,996)	(48,996)
Contributions	0	1,929,735	1,929,735
Appropriation of endowment assets for expenditure	0	0	0
Endowment net assets, end of year	\$ 0	\$ 1,880,739	\$ 1,880,739

5. 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, 2020 and 2019:

	2020	2019
Receivable in:		
Less than one year	\$ 1,967,584	\$ 1,691,143
One to five years	2,527,100	691,200
More than five years	199,768	0
	4,694,452	2,382,343
Less discounts to present value	301,545	52,070
	\$ 4,392,907	\$ 2,330,273

The discount rate used on long-term pledges receivable was 5% at June 30, 2020 and 2019. Increases (decreases) of (\$249,475) and \$21,387 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, 2020 and 2019, respectively.

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

5. Pledges Receivable (continued)

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. The Organization received grants totaling \$62,888 and \$107,014 for the years ended June 30, 2020 and 2019, respectively, which are included in contributions - general purpose revenue in the statements of activities.

6. Property and Equipment, net

	2020	2019
Equipment	\$ 40,756	\$ 38,132
Leasehold improvements	14,053	14,053
Software	22,490	22,490
	77,299	74,675
Less accumulated depreciation	43,895	33,754
	\$ 33,404	\$ 40,921

Depreciation expense totaled \$10,141 and \$11,818 for the years ended June 30, 2020 and 2019, respectively.

7. Paycheck Protection Program Loan Payable

During 2020, the Organization's operations, as well as the overall Western New York economy, was impacted as a result of the spread of COVID-19 (Coronavirus), government ordered restrictions on public gatherings and the shutdown of nonessential businesses. In an effort to aid in cash flow, the Organization applied for and was approved for financial assistance in the form of a Paycheck Protection Program ("PPP") loan through the Small Business Administration. The approved loan is for \$42,800 at a fixed rate of 1.00% payable over 2 years in monthly installments of principal and interest totaling \$2,397 beginning seven months after the date of the loan. If the Organization meets certain criteria, a portion of the loan may be forgiven.

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

8. Net Assets with Donor Restrictions

Net assets with donor restrictions 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, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
Scholarship awards - K-8	\$ 1,502,374	\$ 1,412,968
Scholarship awards - high schools	1,304,280	1,585,391
General organizational support	28,500	55,500
Endowment - permanently restricted	1,880,739	0
Capital campaign pledges	3,098,217	0
	\$ 7,814,110	\$ 3,053,859

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

	2020	2019
Scholarship awards - K-8	\$ 1,387,034	\$ 1,251,931
Scholarship awards - high schools	339,049	173,960
General organizational support	27,000	64,000
Administration	0	15,000
	\$ 1,753,083	\$ 1,504,891

9. 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 \$1,465,859 and \$308,932 for the years ended June 30, 2020 and 2019, respectively. Pledges receivable associated with these related party donors amounted to \$1,458,568 and \$208,200 at ended June 30, 2020 and 2019, respectively.

In March 2019, the Organization transferred their investments held with Key Private Bank to TD Ameritrade. These investments are now managed by a company for which a Board member of the Organization is a Partner. The Organization incurs fees associated with managing the investment options which amounted to \$12,656 and \$1,610 during the years ended June 30, 2020 and 2019, respectively.

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

10. Lease Commitments

The Organization leases office space under a non-cancellable operating lease arrangement through August 2023, with the option to renew for an additional three-year term. The future minimum lease payments under this operating lease as of June 30, 2020 are as follows:

<u>Year ending June 30,</u>		
2021	\$	12,078
2022		12,299
2023		12,541
2024		<u>2,097</u>
	\$	<u><u>39,015</u></u>

Office rent expense totaled \$12,383 and \$11,043 for the years ended June 30, 2020 and 2019, respectively.