

THE DALMATIAN DREAMS FOUNDATION
dba DREAM FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2021

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Dalmatian Dreams Foundation dba Dream Foundation
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of The Dalmatian Dreams Foundation dba Dream Foundation (a non-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dalmatian Dreams Foundation dba Dream Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Dalmatian Dreams Foundation dba Dream Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 accounting principles generally accepted in the United States of America, 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 Dalmatian Dreams Foundation dba Dream Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 generally accepted auditing standards, 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 Dalmatian Dreams Foundation dba Dream Foundation'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 Dalmatian Dreams Foundation dba Dream Foundation'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.

Report on Summarized Comparative Information

We have previously audited the The Dalmatian Dreams Foundation dba Dream Foundation's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated May 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California
June 21, 2022

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With Comparative Totals for December 31, 2020)

ASSETS				
	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 63,539	\$ 514,000	\$ 577,539	\$ 669,540
Other receivable	242,953	-	242,953	-
Pledges and grants receivable	-	81,000	81,000	50,000
Prepaid expenses and deposits	5,930	-	5,930	5,930
	<u>312,422</u>	<u>595,000</u>	<u>907,422</u>	<u>725,470</u>
PROPERTY AND EQUIPMENT				
Furniture	147,462	-	147,462	179,780
Equipment	42,495	-	42,495	91,691
Vehicle	47,588	-	47,588	47,588
	<u>237,545</u>	<u>-</u>	<u>237,545</u>	<u>319,059</u>
Less: Accumulated depreciation	<u>(222,204)</u>	<u>-</u>	<u>(222,204)</u>	<u>(297,175)</u>
Net Property and Equipment	<u>15,341</u>	<u>-</u>	<u>15,341</u>	<u>21,884</u>
OTHER ASSETS				
Donated airline mileage	329,320	-	329,320	353,612
Due from other funds	<u>-</u>	<u>442,197</u>	<u>442,197</u>	<u>442,197</u>
Total Other Assets	<u>329,320</u>	<u>442,197</u>	<u>771,517</u>	<u>795,809</u>
TOTAL ASSETS	<u>\$ 657,083</u>	<u>\$ 1,037,197</u>	<u>\$ 1,694,280</u>	<u>\$ 1,543,163</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 107,565	\$ -	\$ 107,565	\$ 123,011
Note payable	<u>158,424</u>	<u>-</u>	<u>158,424</u>	<u>182,854</u>
Total Current Liabilities	<u>265,989</u>	<u>-</u>	<u>265,989</u>	<u>305,865</u>
OTHER LIABILITIES				
Due to other funds	<u>442,197</u>	<u>-</u>	<u>442,197</u>	<u>442,197</u>
TOTAL LIABILITIES	<u>708,186</u>	<u>-</u>	<u>708,186</u>	<u>748,062</u>
NET ASSETS				
Without donor restrictions				
Operating profit (deficit)	(66,444)	-	(66,444)	(380,924)
Property and equipment, net	<u>15,341</u>	<u>-</u>	<u>15,341</u>	<u>21,884</u>
Total without donor restrictions	<u>(51,103)</u>	<u>-</u>	<u>(51,103)</u>	<u>(359,040)</u>
With donor restrictions	<u>-</u>	<u>1,037,197</u>	<u>1,037,197</u>	<u>1,154,141</u>
Total Net Assets	<u>(51,103)</u>	<u>1,037,197</u>	<u>986,094</u>	<u>795,101</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 657,083</u>	<u>\$ 1,037,197</u>	<u>\$ 1,694,280</u>	<u>\$ 1,543,163</u>

The accompanying notes are an integral part of these financial statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE, GAINS AND OTHER SUPPORT				
Donations and grants - general	\$ 487,452	\$ 51,000	\$ 538,452	\$ 554,780
Donations and grants - corporate	80,500	605,000	685,500	525,000
Donations and grants - government	399,787	-	399,787	148,927
Non-cash contributions (in-kind)	580,777	-	580,777	991,385
Special events (net of expenses of \$104,663 and \$115,023)	182,564	-	182,564	240,507
Investment income	956	-	956	3,260
Net assets released from restrictions	<u>772,944</u>	<u>(772,944)</u>	<u>-</u>	<u>-</u>
 Total Revenue, Gains and Other Support	 <u>2,504,980</u>	 <u>(116,944)</u>	 <u>2,388,036</u>	 <u>2,463,859</u>
EXPENSES				
Program services:				
Cash	1,211,749	-	1,211,749	1,393,773
Non-cash (in-kind)	<u>570,997</u>	<u>-</u>	<u>570,997</u>	<u>828,645</u>
Total Program Services	<u>1,782,746</u>	<u>-</u>	<u>1,782,746</u>	<u>2,222,418</u>
Support services:				
Management and general - cash	176,293	-	176,293	219,430
Management and general - non-cash (in-kind)	17,037	-	17,037	16,170
Fundraising - cash	203,930	-	203,930	254,981
Fundraising - non-cash (in-kind)	<u>17,037</u>	<u>-</u>	<u>17,037</u>	<u>16,170</u>
Total Support Services	<u>414,297</u>	<u>-</u>	<u>414,297</u>	<u>506,751</u>
 Total Expenses	 <u>2,197,043</u>	 <u>-</u>	 <u>2,197,043</u>	 <u>2,729,169</u>
 CHANGE IN NET ASSETS	 307,937	 (116,944)	 190,993	 (265,310)
 NET ASSETS, BEGINNING OF YEAR	 <u>(359,040)</u>	 <u>1,154,141</u>	 <u>795,101</u>	 <u>1,060,411</u>
 NET ASSETS, END OF YEAR	 <u>\$ (51,103)</u>	 <u>\$ 1,037,197</u>	 <u>\$ 986,094</u>	 <u>\$ 795,101</u>

The accompanying notes are an integral part of these financial statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

EXPENSES	Program Services		Support Services				2021 Total	2020 Total
	Cash	Non-Cash	Management and General		Fundraising			
			Cash	Non-Cash	Cash	Non-Cash		
Dreams and direct program expense	\$ 239,686	\$ 485,989	\$ -	\$ -	\$ -	\$ -	\$ 725,675	\$ 919,329
Salary	432,459	-	99,798	-	133,064	-	665,321	834,053
Benefits	82,246	-	18,980	-	25,306	-	126,532	200,272
Professional fees	263,140	46,251	30,368	9,911	70,848	9,911	430,429	556,551
Travel, seminars, and retreats	11,959	-	738	-	738	-	13,435	12,935
Rent	43,581	29,526	9,339	6,327	9,339	6,327	104,439	95,095
Telephone and video	16,585	-	3,366	-	3,365	-	23,316	37,807
Printing and reproduction	18,322	-	203	-	15,346	-	33,871	20,022
Supplies	14,059	3,731	1,660	799	37,047	799	58,095	34,794
Depreciation	6,543	-	-	-	-	-	6,543	7,216
Utilities	25,848	-	5,539	-	5,539	-	36,926	34,178
Postage and delivery	22,116	-	1,221	-	3,267	-	26,604	20,020
Repairs and maintenance	9,076	-	1,881	-	1,881	-	12,838	10,874
Public awareness	7,307	5,500	-	-	-	-	12,807	34,283
Interest expense	5,090	-	-	-	-	-	5,090	5,999
Bank and credit card fees	8,311	-	2,128	-	1,781	-	12,220	13,330
Insurance	5,002	-	1,072	-	1,072	-	7,146	7,012
Volunteer and sponsor recognition	419	-	-	-	-	-	419	422
2020 Total Expenses by Function	\$ 1,211,749	\$ 570,997	\$ 176,293	\$ 17,037	\$ 308,593	\$ 17,037	\$ 2,301,706	\$ 2,844,192
Less expenses included with revenues on the statement of activities								
Special event direct expenses	-	-	-	-	(104,663)	-	(104,663)	(115,023)
2021 TOTAL EXPENSES	\$ 1,211,749	\$ 570,997	\$ 176,293	\$ 17,037	\$ 203,930	\$ 17,037	\$ 2,197,043	
	81%		9%		10%			
2020 TOTAL EXPENSES	\$ 1,393,773	\$ 828,645	\$ 219,430	\$ 16,170	\$ 254,981	\$ 16,170		\$ 2,729,169

The accompanying notes are an integral part of these financial statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 190,993	\$ (265,310)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,543	7,216
(Increase) decrease in:		
Other receivable	(242,953)	-
Pledges receivable	(31,000)	(50,000)
Deposits	-	(4,822)
Donated airline mileage	24,292	(130,400)
Increase (decrease) in accounts payable and accrued liabilities	<u>(15,446)</u>	<u>85,046</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(67,571)</u>	<u>(358,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(11,759)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(11,759)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>(24,430)</u>	<u>(47,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(24,430)</u>	<u>(47,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(92,001)	(417,029)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>669,540</u>	<u>1,086,569</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 577,539</u>	<u>\$ 669,540</u>

The accompanying notes are an integral part of these financial statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

The Dalmatian Dreams Foundation dba Dream Foundation (the Organization) began in July, 1994, as a project implemented by Access Theatre. The Organization was granted independent 501(c)(3) status from the Internal Revenue Service in 1996. The Organization's fictitious business name statement (Dream Foundation) was filed on September 3, 1998. The purpose of the Organization is to grant wishes to adults in the United States whose clinical life expectancy is less than one year, and whose limited resources leave them unable to manifest such dreams for themselves.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, 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". Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivable

Other receivable consists of amounts receivable for the government grant Employee Retention Credit Program and are considered fully collectible.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include: allocation of certain expenses by function, fair value of donated in-kind contributions, fair value of donated airline miles, fair value of limited partnership interest, and depreciable lives of property and equipment.

Contributions

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

The Organization solicits donations of items to be sold at auction or various fundraising events. The Organization has adopted the policy of recording these gifts in-kind at their estimated fair market value on the date of donation.

Donated Airline Mileage

Airline mileage is donated by individuals to support the programs of the Organization. Airline companies have stipulated a value of four cents per mile, which is recorded in the Organization's books as a contribution when received and an expense when used. Unused mileage at December 31, 2021, is recorded as donated airline mileage on the statement of financial position.

Donated Services

Some individuals and organizations have donated time to the Organization to further its programs and objectives. Donated items are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. Donated services, which meet certain authoritative criteria and can be objectively valued, have also been reflected as contributions in-kind in the accompanying statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture	7 years
Equipment	5 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2021, totaled \$6,543.

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2021, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2018 and 2017, respectively.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Amounts

The amounts shown for 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and are not intended to present all information necessary for a fair presentation of the 2020 financial statements in conformity with accounting principles generally accepted in the United States of America.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give represent pledges with donor restrictions of \$81,000, all of which is expected to be collected in 2022. At December 31, 2021, these amounts are considered fully collectible and therefore no allowance for uncollectible promises to give has been recorded..

Note 4 – LEASES

The Organization leases office space in Santa Barbara, California for a term of five years beginning December 2016, and ending December 2021 at \$4,550 monthly. As of January 1, 2022, the lease has not been extended and is considered month-to-month. In addition, the Organization received in-kind rent valued at \$42,180 for the year ended December 31, 2021, for the Santa Barbara office.

Total rent expense, inclusive of related parking, storage, and common area expenses allocations, for the Organization was \$104,439 for the year ended December 31, 2021.

Note 5 – ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, with the explicit prohibition by the donor, as net assets with donor restrictions (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 donor at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are available for appropriation are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 5 – ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law (continued)

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods. The Organization's goal is for the endowment assets to be invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

As of December 31, 2021, endowment net assets were composed of \$442,197 with donor restrictions, all of which has been loaned to net assets without restrictions to support operations. There were no changes in the endowment net assets for the year.

Note 6 – NOTE PAYABLE

Effective May 9, 2018, the Organization converted a deferred grant into a note payable in the amount of \$278,854. The agreement called for interest payments only, due monthly at Prime Rate with principal payments due quarterly that are equal to one-half of qualifying donations received the preceding quarter. Principal balance was due in full as of December 31, 2018. The outstanding principal at December 31, 2018 was \$278,854.

Effective January 15, 2019, the agreement was amended and calls for a principal payment of \$25,000 within ten days of the new agreement date and \$2,000 monthly principal payments effective February 1, 2019, and all unpaid principal due December 31, 2019. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2019, was \$229,854.

Effective January 8, 2020, the note payable was extended to December 31, 2020, with all other payment terms unchanged.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 6 – NOTE PAYABLE (continued)

Effective January 1, 2021, the agreement was amended and calls for a \$2,000 monthly principal payment effective February 26, 2021, and all unpaid principal due December 31, 2021. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2020, was \$182,854.

Effective January 1, 2022, the agreement was amended and calls for a \$2,000 monthly principal payment effective January 5, 2022, and all unpaid principal due December 31, 2022. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2021, was \$158,424.

Note 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restrictions as specified by donors. For the year ended December 31, 2021, the purpose and passage of time restrictions resulted in net assets released from restrictions of \$772,944.

Note 8 – CONCENTRATIONS AND MARKET RISK

Concentration of Revenue

For the year ended December 31, 2021, approximately 42% of the corporate donation and grants revenue was from two donors.

Credit Risk

The Organization maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2021, uninsured cash and cash equivalent balances totaled approximately \$299,000.

Note 9 – RETIREMENT PLANS

The Organization provides a Simplified Employee Pension Individual Retirement Account (SEP IRA) employer sponsored plan. An employee over 21 years old who has worked for the Organization for three consecutive years and has made at least \$400 during the prior calendar year is eligible to participate in the Plan. Once an employee is eligible, they are immediately 100% vested. The Organization makes a percentage contribution of employee compensation to be determined on an annual basis by approval of the board of directors. The Organization did not make contributions for the year ended December 31, 2021.

The Organization also offers an employee elective-deferral plan under Internal Revenue Code 403(b). Any full or part-time employee is eligible to participate in the Plan. The minimum contribution amount in order to participate in the Plan is \$50 per month. An employee may borrow up to 50% of their account balance with a minimum loan of \$1,000.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 10 – RECLASSIFICATION

Certain amounts from the December 31, 2020, financial statements have been reclassified to conform to the December 31, 2021, financial statement presentation.

Note 11 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2021, net assets without donor restrictions consist of the following:

Operating deficit	\$ (395,764)
Property and equipment, net	15,341
Donated airline mileage (illiquid)	<u>329,320</u>
Total Net Assets Deficit Without Donor Restrictions	<u>\$ (51,103)</u>

Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions consist of the following:

Restricted for fulfillment of dreams	\$ 20,000
Restricted due to passage of time	575,000
Donor-restricted endowments – due from other funds	<u>442,197</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,037,197</u>

Note 12 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021:

Current assets	
Cash and cash equivalents available within one year	\$ 577,539
Other receivable	242,953
Other current assets	<u>81,000</u>
Total Current Assets	<u>901,492</u>
Current liabilities	<u>(265,989)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021	<u>\$ 635,503</u>

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NOTES TO FINANCIAL STATEMENTS

Note 12 – LIQUIDITY (continued)

As part of the liquidity management plan, the Organization has budgeted for reduced overhead expenditures. Funds are expected to be received from donations and grants and special events. These funds combined with available funds are expected to meet the amounts needed to fund the Organization's operations for 2022.

Note 13 – SBA LOAN UNDER PAYROLL PROTECTION PROGRAM

On May 4, 2020, the Organization received loan funding of \$148,927 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization. On March 26, 2021, the loan was forgiven in full. The Organization has recorded the loan forgiveness as government grant revenue for the year ended December 31, 2020.

On January 29, 2021, the Organization received a second loan funding of \$156,834 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization. On October 21, 2021, the loan was forgiven in full. The Organization has recorded the loan forgiveness as government grant revenue for the year ended December 31, 2021.

Note 14 – UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, changes in net assets and cash flows in 2022 and the future.

Note 15 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 21, 2022, the date which the financial statements were available to be issued. Management has determined no subsequent events requiring disclosure or significantly impacting disclosure have occurred.