

**THE DALMATIAN DREAMS FOUNDATION**  
**dba DREAM FOUNDATION**  
**FINANCIAL STATEMENTS**  
**December 31, 2009**

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

December 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

509 E. Montecito St., 2nd Floor, Santa Barbara, CA 93103-3293, 805.962.9175, fax 805.962.8925, www.mcgowan.com

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of The Dalmatian Dreams Foundation dba Dream Foundation (a non-profit organization) as of December 31, 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2008, is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated May 26, 2009, was expressed.

We conducted our audit 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGowan Guntermann*

June 3, 2010



**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	(Memo) 2008 Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Grants	\$ 563,326	\$ -	\$ -	\$ 563,326	\$ 633,197
Contributions - non-cash (in-kind)	509,709	-	-	509,709	588,806
Contributions - non-cash airline mileage (in-kind)	492,856	-	-	492,856	501,513
Donations - general	384,266	32,400	-	416,666	349,307
Donations - corporate	269,080	411,608	-	680,688	314,205
Special events (net of expenses of \$606,039 and \$977,579)	506,977	-	-	506,977	410,507
Interest and dividends	25,949	-	-	25,949	43,882
Unrealized gain (loss) on value of securities	165,807	-	-	165,807	(250,598)
Realized loss on sale of securities	(31,767)	-	-	(31,767)	(24,022)
Released from restrictions	235,585	(235,585)	-	-	-
<b>Total Revenue, Gains and Other Support</b>	<u>3,121,788</u>	<u>208,423</u>	<u>-</u>	<u>3,330,211</u>	<u>2,566,797</u>
<b>EXPENSES</b>					
Program services:					
Cash	1,284,397	-	-	1,284,397	1,470,825
Non-cash (in-kind)	977,932	-	-	977,932	1,159,179
<b>Total Program Services</b>	<u>2,262,329</u>	<u>-</u>	<u>-</u>	<u>2,262,329</u>	<u>2,630,004</u>
Support services:					
Management and general - cash	199,365	-	-	199,365	200,277
Management and general - non-cash (in-kind)	9,785	-	-	9,785	9,269
Fundraising - cash	218,572	-	-	218,572	241,478
Fundraising - non-cash (in-kind)	9,851	-	-	9,851	12,490
<b>Total Support Services</b>	<u>437,573</u>	<u>-</u>	<u>-</u>	<u>437,573</u>	<u>463,514</u>
<b>Total Expenses</b>	<u>2,699,902</u>	<u>-</u>	<u>-</u>	<u>2,699,902</u>	<u>3,093,518</u>
<b>CHANGE IN NET ASSETS</b>	<b>421,886</b>	<b>208,423</b>	<b>-</b>	<b>630,309</b>	<b>(526,721)</b>
NET ASSETS, JANUARY 1	924,653	268,085	582,639	1,775,377	2,302,098
RECLASSIFICATION OF NET ASSETS					
DUE TO CHANGE IN LAW	140,442	-	(140,442)	-	-
NET ASSETS, JANUARY 1, AS RECLASSIFIED	<u>1,065,095</u>	<u>268,085</u>	<u>442,197</u>	<u>1,775,377</u>	<u>2,302,098</u>
<b>NET ASSETS, DECEMBER 31</b>	<b><u>\$ 1,486,981</u></b>	<b><u>\$ 476,508</u></b>	<b><u>\$ 442,197</u></b>	<b><u>\$ 2,405,686</u></b>	<b><u>\$ 1,775,377</u></b>

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, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

EXPENSES	Support Services						(Memo)	
	Program Services		Management and General		Fundraising		2009	2008
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash	Total	Total
Dreams	\$ 477,968	\$ 418,971	\$ -	\$ -	\$ -	\$ -	\$ 896,939	\$ 1,105,385
Salary	428,723	-	98,936	-	131,915	-	659,574	749,124
Mileage	-	462,861	-	-	-	-	462,861	523,350
Benefits	116,855	-	26,966	-	35,955	-	179,776	168,129
Rent	46,439	35,574	9,951	7,623	9,951	7,623	117,161	123,111
Professional fees	60,254	3,213	35,473	1,503	13,475	656	114,574	111,876
Printing and reproduction	25,362	6,208	848	548	5,714	1,461	40,141	54,030
Telephone and video	22,523	-	4,659	-	4,519	-	31,701	41,448
Public awareness	7,802	27,526	-	-	-	-	35,328	38,770
Flower empower	5,872	23,060	-	-	-	-	28,932	29,587
Supplies	13,332	99	2,495	21	2,278	21	18,246	26,184
Travel	13,722	-	2,296	-	2,296	-	18,314	22,432
Postage and delivery	15,592	-	1,836	-	3,538	-	20,966	20,377
Depreciation	11,784	-	2,525	-	2,525	-	16,834	18,782
Utilities	15,560	-	3,334	-	3,334	-	22,228	14,754
Bank service charges	6,425	-	1,377	-	1,377	-	9,179	11,323
Investment fee	-	-	6,974	-	-	-	6,974	8,400
Repairs and equipment	3,969	420	850	90	850	90	6,269	7,432
Seminars and retreats	3,663	-	-	-	-	-	3,663	7,139
Volunteer and sponsor recognition	4,607	-	-	-	-	-	4,607	6,001
Insurance	3,945	-	845	-	845	-	5,635	5,884
<b>TOTAL EXPENSES</b>	<b>\$ 1,284,397</b>	<b>\$ 977,932</b>	<b>\$ 199,365</b>	<b>\$ 9,785</b>	<b>\$ 218,572</b>	<b>\$ 9,851</b>	<b>\$ 2,699,902</b>	<b>\$ 3,093,518</b>
	<u>84%</u>		<u>8%</u>		<u>8%</u>			

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, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>	<u>(Memo) 2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 630,309	\$ (526,721)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	16,834	18,782
Unrealized (gain) loss on value of securities	(165,807)	250,598
Realized loss on sale of securities	31,767	24,022
(Increase) decrease in:		
Pledges receivable	(208,423)	(214,085)
Deposits	-	(1,923)
Donated airline mileage	(29,995)	21,836
Other donated items	25,000	50,000
Increase (decrease) in accounts payable and accrued liabilities	<u>3,390</u>	<u>(4,258)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>303,075</u>	<u>(381,749)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(16,052)	(2,581)
Purchase of available-for-sale securities	(226,747)	(462,285)
Sale of available-for-sale securities	<u>211,287</u>	<u>447,267</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(31,512)</u>	<u>(17,599)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>271,563</b>	<b>(399,348)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>622,281</u>	<u>1,021,629</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b><u>\$ 893,844</u></b>	<b><u>\$ 622,281</u></b>

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.

#### 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.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

#### 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.

# THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and Equipment (continued)

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, 2009, totaled \$16,834.

#### Contributions and Grants

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.

#### Contributions in-kind

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.

#### 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. Accordingly, actual results could differ from those estimates.

#### 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, 2009, 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, state and local tax examinations by tax authorities for years before 2006.

# THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Statement Presentation

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Unrestricted Net Assets

Unrestricted net assets consist of funds free of any donor-imposed restrictions and which the governing board has discretionary control for use in carrying out the general operations of the Organization.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations. At December 31, 2009, the temporarily restricted net assets represent contributions receivable for Dreams to be fulfilled after December 31, 2009.

#### Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the endowment fund assets can be used to support the Organization's general activities and are reported with unrestricted amounts on the statement of activities.

#### Donated Airline Mileage

Airline mileage is donated by individuals to support the programs of the Organization. Airline companies have stipulated a value of six 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, 2009, is recorded as donated airline mileage on the statement of financial position.

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Donated Services

Some individuals and organizations have donated time to the Dream Foundation, 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 been reflected as contributions in-kind in the accompanying statements.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give at December 31, 2009, represent temporarily restricted gifts of \$476,508, which are expected to be received during 2010 for the fulfillment of Dreams. At December 31, 2009, 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 and Los Angeles. The Santa Barbara office lease term is for 10 years beginning January, 2006, and ending December, 2016 at a monthly rent expense of \$4,970. In addition, the Organization receives in-kind rent valued at \$32,820 for the year ended December 31, 2009, for the Santa Barbara office.

In addition, the Organization receives in-kind rent for their Los Angeles office valued at \$18,000 for the year ended December 31, 2009. The Organization is responsible for the monthly payments of common area expenses and parking for the Los Angeles office.

Total rent expense, inclusive of related parking, storage, and common area expenses allocations, for the Organization was \$117,161 for the year ended December 31, 2009.

The future minimum lease payments are as follows for the years ending December 31:

2010	\$ 59,637
2011	59,637
2012	59,637
2013	59,637
2014	59,637
Thereafter	<u>119,274</u>
Total	<u>\$ 417,459</u>

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

Note 5 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2009, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 41,718	\$ 41,718	\$ -
Corporate bonds	148,260	137,635	( 10,625)
Common stocks	<u>639,167</u>	<u>712,716</u>	<u>73,549</u>
Total	<u>\$ 829,145</u>	<u>\$ 892,069</u>	<u>\$ 62,924</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Balance at end of the year	\$ 829,145	\$ 892,069	\$ 62,924
Balance at beginning of the year	842,452	742,569	<u>(102,883)</u>
Net change in unrealized gain (loss)			<u>\$ 165,807</u>

The following summarizes the investment return included as unrestricted revenue in the statement of activities for the year ended December 31, 2009.

Investment and dividend income	\$ 25,949
Unrealized gain on value of securities	165,807
Realized loss on value of securities	( 31,767)
Investment fees	<u>( 6,974)</u>
Total Investment Return	<u>\$ 153,015</u>

Note 6 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity.

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

Note 6 – FAIR VALUE MEASUREMENT (continued)

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government bonds and exchange traded equities. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Organization did not classify any assets as Level 3 as of December 31, 2009.

The following table presents the fair value measurements of assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2009:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash held for investment	\$ 41,718	\$ -	\$ -	\$ 41,718
Fixed income securities	137,635	-	-	137,635
Equities	<u>712,716</u>	<u>-</u>	<u>-</u>	<u>712,716</u>
Total Investments	892,069	-	-	892,069
Pledges receivable	<u>-</u>	<u>476,508</u>	<u>-</u>	<u>476,508</u>
Total assets measured at fair value	<u>\$ 892,069</u>	<u>\$ 476,508</u>	<u>\$ -</u>	<u>\$ 1,368,577</u>

Note 7 – 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 permanently restricted net assets (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 gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets 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 7 – 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 endowment assets are 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.

The Organization's endowment is invested in a diversified portfolio of cash, equities, and fixed income. The portfolio's objective is to achieve a total return equivalent to or greater than the Organization's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk and ensure that charitable dollars grow and are available forever.

The Organization uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the amount of money annually distributed from the Organization's endowed funds for Dreams and administrative support. There was no current spending appropriated in 2009 from endowment assets. The spending policy is reviewed annually in light of changing market assumptions, investment returns and the rate of inflation. Accordingly, over the long term, the Organization expects current spending policy to allow its endowment assets to grow. Historically, the Organization has used a spending policy equal to 6% when the fair market value is in excess of corpus.

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

Note 7 – ENDOWMENT FUNDS (continued)

For the year ended December 31, 2009, Endowment Net Asset composition by type of Fund is:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ -	\$ 442,197	\$ 442,197
Board-restricted	<u>449,872</u>	<u>-</u>	<u>-</u>	<u>449,872</u>
Total endowment funds	<u>\$ 449,872</u>	<u>\$ -</u>	<u>\$ 442,197</u>	<u>\$ 892,069</u>

Changes in endowment net assets for the year ended December 31, 2009, are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets Including board designated, beginning of year	\$ 159,930	\$ -	\$ 582,639	\$ 742,569
Net asset reclassification based on change in law	<u>140,442</u>	<u>-</u>	<u>(140,442)</u>	<u>-</u>
Endowment net assets, after reclassification	300,372	-	442,197	742,569
Net investment return (investment income, realized and unrealized gains and losses)	149,500	-	-	149,500
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 449,872</u>	<u>\$ -</u>	<u>\$ 442,197</u>	<u>\$ 892,069</u>

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with endowment funds may fall below the level that Organization intended to retain in perpetuity. Such deficiencies may result from unfavorable market fluctuations. As of December 31, 2009, the Organization's board restricted endowment fund's principal had fallen below the original corpus due to market conditions. In accordance with generally accepted accounting principals, the shortfall totaling \$190,570 has been deducted from unrestricted undesignated funds as of December 31, 2009.

# THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 8 – CONCENTRATIONS

#### Credit

At December 31, 2009, the Organization had uninsured cash balances in excess of FDIC limits in the amount of \$115,262. The Organization maintains a majority of cash and cash equivalents in money market funds that are not fully insured.

#### Revenue and Receivables

A substantial portion of the grant and corporate donation revenue and of the pledges receivable for the year ended December 31, 2009, were from two donors.

#### Market Risk

The Organization holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

### 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. Total contributions by the Organization for the year ended December 31, 2009, were \$22,274.

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.

### Note 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For 2009, the passage of time restrictions resulted in net assets released from restriction of \$235,585.

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NOTES TO FINANCIAL STATEMENTS

Note 11 – EXPENSE ALLOCATION

The Organization achieves some of its program and fundraising goals in direct mail campaigns and newsletters that include requests for contributions. The costs of conducting these campaigns was \$23,122 for the year ended December 31, 2009, which includes joint costs that are directly attributable to either the program or fundraising component of the activities. Those joint costs were allocated as follows:

Program	\$ 18,498
Fundraising	<u>4,624</u>
Total	<u>\$ 23,122</u>

Note 12 – RECLASSIFICATION

Certain amounts from the December 31, 2008, financial statements have been reclassified to conform with the December 31, 2009, financial statement presentation.

Note 13 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 3, 2010, the date which the financial statements were available to be issued.