

**THE DALMATIAN DREAMS FOUNDATION**  
**dba DREAM FOUNDATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

December 31, 2020

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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

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, 2020, 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.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 auditor's judgment, 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 Dalmatian Dreams Foundation dba Dream Foundation as of December 31, 2020, and the change 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.

## **Report on Summarized Comparative Information**

We have previously audited The Dalmatian Dreams Foundation dba Dream Foundation 2019 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated June 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGowan Guntermann*

Santa Barbara, California

May 20, 2021

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

STATEMENT OF FINANCIAL POSITION  
December 31, 2020  
(With Comparative Totals for December 31, 2019)

	<b>ASSETS</b>			
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 7,596	\$ 661,944	\$ 669,540	\$ 1,086,569
Pledges and grants receivable	-	50,000	50,000	-
Prepaid expenses and deposits	5,930	-	5,930	1,108
	<u>13,526</u>	<u>711,944</u>	<u>725,470</u>	<u>1,087,677</u>
<b>PROPERTY AND EQUIPMENT</b>				
Furniture	179,780	-	179,780	179,780
Equipment	91,691	-	91,691	79,932
Vehicle	47,588	-	47,588	47,588
	<u>319,059</u>	<u>-</u>	<u>319,059</u>	<u>307,300</u>
Less: Accumulated depreciation	(297,175)	-	(297,175)	(289,959)
	<u>21,884</u>	<u>-</u>	<u>21,884</u>	<u>17,341</u>
<b>OTHER ASSETS</b>				
Donated airline mileage	353,612	-	353,612	223,212
Due from other funds	-	442,197	442,197	442,197
	<u>353,612</u>	<u>442,197</u>	<u>795,809</u>	<u>665,409</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 389,022</u></b>	<b><u>\$ 1,154,141</u></b>	<b><u>\$ 1,543,163</u></b>	<b><u>\$ 1,770,427</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 123,011	\$ -	\$ 123,011	\$ 37,965
Note payable	182,854	-	182,854	229,854
	<u>305,865</u>	<u>-</u>	<u>305,865</u>	<u>267,819</u>
<b>OTHER LIABILITIES</b>				
Due to other funds	442,197	-	442,197	442,197
	<u>748,062</u>	<u>-</u>	<u>748,062</u>	<u>710,016</u>
<b>TOTAL LIABILITIES</b>	<b><u>748,062</u></b>	<b><u>-</u></b>	<b><u>748,062</u></b>	<b><u>710,016</u></b>
<b>NET ASSETS</b>				
Without donor restrictions				
Operating profit (deficit)	(380,924)	-	(380,924)	(204,127)
Property and equipment, net	21,884	-	21,884	17,341
	<u>(359,040)</u>	<u>-</u>	<u>(359,040)</u>	<u>(186,786)</u>
Total without donor restrictions	(359,040)	-	(359,040)	(186,786)
With donor restrictions	-	1,154,141	1,154,141	1,247,197
	<u>(359,040)</u>	<u>1,154,141</u>	<u>795,101</u>	<u>1,060,411</u>
<b>Total Net Assets</b>	<b><u>(359,040)</u></b>	<b><u>1,154,141</u></b>	<b><u>795,101</u></b>	<b><u>1,060,411</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 389,022</u></b>	<b><u>\$ 1,154,141</u></b>	<b><u>\$ 1,543,163</u></b>	<b><u>\$ 1,770,427</u></b>

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, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Donations and grants - general	\$ 641,763	\$ 61,944	\$ 703,707	\$ 626,658
Donations and grants - corporate	25,000	500,000	525,000	484,875
Non-cash contributions (in-kind)	991,385	-	991,385	1,655,038
Special events (net of expenses of \$115,023 and \$127,777)	240,507	-	240,507	495,202
Investment income	3,260	-	3,260	12,575
Net assets released from restrictions	<u>655,000</u>	<u>(655,000)</u>	<u>-</u>	<u>-</u>
 Total Revenue, Gains and Other Support	 <u>2,556,915</u>	 <u>(93,056)</u>	 <u>2,463,859</u>	 <u>3,274,348</u>
 <b>EXPENSES</b>				
Program services:				
Cash	1,393,773	-	1,393,773	1,500,568
Non-cash (in-kind)	<u>828,645</u>	<u>-</u>	<u>828,645</u>	<u>1,515,664</u>
Total Program Services	<u>2,222,418</u>	<u>-</u>	<u>2,222,418</u>	<u>3,016,232</u>
Support services:				
Management and general - cash	219,430	-	219,430	253,647
Management and general - non-cash (in-kind)	16,170	-	16,170	83,313
Fundraising - cash	254,981	-	254,981	265,839
Fundraising - non-cash (in-kind)	<u>16,170</u>	<u>-</u>	<u>16,170</u>	<u>83,313</u>
Total Support Services	<u>506,751</u>	<u>-</u>	<u>506,751</u>	<u>686,112</u>
 Total Expenses	 <u>2,729,169</u>	 <u>-</u>	 <u>2,729,169</u>	 <u>3,702,344</u>
 <b>CHANGE IN NET ASSETS</b>	 <b>(172,254)</b>	 <b>(93,056)</b>	 <b>(265,310)</b>	 <b>(427,996)</b>
 NET ASSETS, BEGINNING OF YEAR	 <u>(186,786)</u>	 <u>1,247,197</u>	 <u>1,060,411</u>	 <u>1,488,407</u>
 <b>NET ASSETS, END OF YEAR</b>	 <b><u>\$ (359,040)</u></b>	 <b><u>\$ 1,154,141</u></b>	 <b><u>\$ 795,101</u></b>	 <b><u>\$ 1,060,411</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, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

EXPENSES	Support Services						2020 Total	2019 Total
	Program Services		Management and General		Fundraising			
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash		
Dreams and direct program expense	\$ 236,701	\$ 682,628	\$ -	\$ -	\$ -	\$ -	\$ 919,329	\$ 1,449,858
Salary	542,134	-	125,108	-	166,811	-	834,053	775,145
Benefits	130,177	-	30,038	-	40,057	-	200,272	183,076
Professional fees	287,974	114,231	37,877	9,843	96,783	9,843	556,551	857,740
Travel, seminars, and retreats	10,471	-	1,232	-	1,232	-	12,935	89,405
Rent	37,041	29,526	7,937	6,327	7,937	6,327	95,095	154,602
Telephone and video	20,482	-	3,319	-	14,006	-	37,807	35,828
Printing and reproduction	6,943	-	463	-	12,616	-	20,022	18,481
Supplies	17,074	2,260	2,226	-	13,234	-	34,794	72,133
Depreciation	7,216	-	-	-	-	-	7,216	6,688
Utilities	23,924	-	5,127	-	5,127	-	34,178	31,879
Postage and delivery	15,320	-	1,041	-	3,659	-	20,020	19,967
Bad debt	-	-	-	-	-	-	-	19,969
Repairs and maintenance	7,654	-	1,610	-	1,610	-	10,874	11,093
Public awareness	30,332	-	-	-	3,951	-	34,283	69,060
Interest expense	5,999	-	-	-	-	-	5,999	11,568
Bank and credit card fees	9,001	-	2,400	-	1,929	-	13,330	14,893
Insurance	4,908	-	1,052	-	1,052	-	7,012	7,135
Volunteer and sponsor recognition	422	-	-	-	-	-	422	1,601
<b>2020 Total Expenses by Function</b>	<b>\$ 1,393,773</b>	<b>\$ 828,645</b>	<b>\$ 219,430</b>	<b>\$ 16,170</b>	<b>\$ 370,004</b>	<b>\$ 16,170</b>	<b>\$ 2,844,192</b>	<b>\$ 3,830,121</b>
Less expenses included with revenues on the statement of activities								
Special event direct expenses	-	-	-	-	(115,023)	-	(115,023)	(127,777)
<b>2020 TOTAL EXPENSES</b>	<b>\$ 1,393,773</b>	<b>\$ 828,645</b>	<b>\$ 219,430</b>	<b>\$ 16,170</b>	<b>\$ 254,981</b>	<b>\$ 16,170</b>	<b>\$ 2,729,169</b>	
	<b>82%</b>		<b>9%</b>		<b>9%</b>			
<b>2019 TOTAL EXPENSES</b>	<b>\$ 1,500,568</b>	<b>\$ 1,515,664</b>	<b>\$ 253,647</b>	<b>\$ 83,313</b>	<b>\$ 265,839</b>	<b>\$ 83,313</b>		<b>\$ 3,702,344</b>

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, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (265,310)	\$ (427,996)
Adjustments to reconcile change in net assets to net cash provided used by operating activities:		
Depreciation	7,216	6,688
(Increase) decrease in:		
Pledges receivable	(50,000)	506,154
Deposits	(4,822)	-
Donated airline mileage	(130,400)	27,252
Increase in accounts payable and accrued liabilities	<u>85,046</u>	<u>4,601</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(358,270)</u>	<u>116,699</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,759)	(1,854)
Proceeds from sale of securities	<u>-</u>	<u>379,922</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(11,759)</u>	<u>378,068</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	<u>(47,000)</u>	<u>(49,000)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(47,000)</u>	<u>(49,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(417,029)</b>	<b>445,767</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,086,569</u>	<u>640,802</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 669,540</u></b>	<b><u>\$ 1,086,569</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.

#### 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)

#### 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, 2020, 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, 2020, totaled \$7,216.

#### 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, 2020, 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 2017 and 2016, 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 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and are not intended to present all information necessary for a fair presentation of the 2019 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 \$50,000, all of which is expected to be collected in 2021. At December 31, 2020, 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. In addition, the Organization received in-kind rent valued at \$42,180 for the year ended December 31, 2020, for the Santa Barbara office.

Total rent expense, inclusive of related parking, storage, and common area expenses allocations, for the Organization was \$95,095 for the year ended December 31, 2020.

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

2021	\$ 54,600
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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, 2020, 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.

### 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, 2020, the purpose and passage of time restrictions resulted in net assets released from restrictions of \$655,000.

### Note 8 – CONCENTRATIONS AND MARKET RISK

#### Concentration of Revenue

For the year ended December 31, 2020, approximately 86% of the corporate donation and grants revenue was from a single donor.

#### 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, 2020, uninsured cash and cash equivalent balances totaled approximately \$385,000.

### 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, 2020.

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 – RECLASSIFICATION

Certain amounts from the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 financial statement presentation.

**THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

Note 11 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2020, net assets without donor restrictions consist of the following:

Operating deficit	\$ (734,536)
Property and equipment, net	21,884
Donated airline mileage (illiquid)	<u>353,612</u>
Total Net Assets Deficit Without Donor Restrictions	<u>\$ (359,040)</u>

Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions consist of the following:

Restricted for fulfillment of dreams	\$ 61,944
Restricted due to passage of time	650,000
Donor-restricted endowments – due from other funds	<u>442,197</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,154,141</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, 2020:

Current assets	
Cash and cash equivalents available within one year	\$ 669,540
Other current assets	<u>55,930</u>
Total Current Assets	<u>725,470</u>
Current liabilities	<u>(305,865)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2020	<u>\$ 419,605</u>

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 2021.

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## NOTES TO FINANCIAL STATEMENTS

### 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 as 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.

The loan may be fully forgiven if the funds are used for payroll costs, rent and utilities and at least 60% of the forgiven amount must be used for payroll. Loan payments will also be deferred for six months. No collateral or personal guarantees were required.

Forgiveness will be based on maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. The loan has a maturity of two years and an interest rate of 1%. The Organization intends to comply with all regulations to allow for the loan to be fully forgiven.

### 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 2021 and the future.

### Note 15 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 20, 2021, 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.