

I Have a Dream Foundation

**Financial Statements and Report of
Independent Auditor**

August 31, 2022 and 2021



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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

To the Board of Directors of
I Have A Dream Foundation
New York, New York

Opinion

We have audited the accompanying financial statements of I Have a Dream Foundation (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities 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 I Have a Dream Foundation as of August 31, 2022, 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 I Have a 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 I Have a 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, including omissions, 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 I Have a 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 I Have a 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 I Have a Dream Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haynie & Company

Littleton, Colorado
June 12, 2023

I Have a Dream Foundation
Statements of Financial Position
As of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 541,559	\$ 988,724
Investments in marketable securities, at fair value	2,379,355	2,902,178
Contributions and pledges receivable, net	468,118	181,836
Prepaid expenses and other assets	<u>6,044</u>	<u>51,469</u>
Total Current Assets	<u>3,395,076</u>	<u>4,124,207</u>
Restricted funds for college savings account program	197,509	134,177
Property and equipment- net	<u>15,706</u>	<u>22,149</u>
Total Assets	<u>\$ 3,608,291</u>	<u>\$ 4,280,533</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 91,982	\$ 54,550
Accrued expenses and other liabilities	100,949	55,623
Due to affiliates	14,759	47,556
Paycheck Protection Program loan	<u>-</u>	<u>260,246</u>
Total Current Liabilities	<u>207,690</u>	<u>417,975</u>
Long-term Liabilities		
College savings account program payable	<u>197,509</u>	<u>134,177</u>
Total Long-term Liabilities	<u>197,509</u>	<u>134,177</u>
Net Assets		
Without donor restrictions	611,545	891,969
With donor restrictions	<u>2,591,547</u>	<u>2,836,412</u>
Total Net Assets	<u>3,203,092</u>	<u>3,728,381</u>
Total Liabilities and Net Assets	<u>\$ 3,608,291</u>	<u>\$ 4,280,533</u>

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

I Have a Dream Foundation
Statements of Activities
For the Year Ended August 31, 2022
with Summarized Financial Information as of August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Contributions	\$ 1,233,330	\$ 379,929	\$ 1,613,259	\$ 1,897,595
Program sponsors	31,000	414,000	445,000	1,016,172
Government grants	217,297	-	217,297	31,252
Special events net of costs of \$158,536 in 2022 and \$62,075 in 2021, respectively	797,510	-	797,510	431,489
Licensing fees	40,290	-	40,290	65,515
Net investment income	99,818	-	99,818	149,125
In-kind services	-	-	-	206,780
SBA Paycheck Protection loan forgiveness	262,185	-	262,185	-
Unrealized gain (loss) of investments in marketable securities	(390,907)	-	(390,907)	341,895
Other	25	-	25	18,707
Net assets released from restrictions	<u>1,038,794</u>	<u>(1,038,794)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	3,329,342	(244,865)	3,084,477	4,158,530
Expenses and Non Operating Items				
Program services	2,431,936	-	2,431,936	2,252,910
Supporting services:				
Management and general	799,903	-	799,903	496,815
Fundraising and development	<u>377,927</u>	<u>-</u>	<u>377,927</u>	<u>273,173</u>
 Total Expenses	 <u>3,609,766</u>	 <u>-</u>	 <u>3,609,766</u>	 <u>3,022,898</u>
Change in Net Assets	(280,424)	(244,865)	(525,289)	1,135,632
Net Assets—Beginning of Year	<u>891,969</u>	<u>2,836,412</u>	<u>3,728,381</u>	<u>2,592,749</u>
Net Assets—End of Year	<u>\$ 611,545</u>	<u>\$ 2,591,547</u>	<u>\$ 3,203,092</u>	<u>\$ 3,728,381</u>

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

I Have a Dream Foundation
Statements of Cash Flows
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (525,289)	\$ 1,135,632
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	13,279	21,079
Allowance for doubtful accounts	14,185	-
Paycheck protection loan forgiveness	(262,185)	-
Realized (gain) loss in marketable securities	(55,191)	(84,405)
Unrealized (appreciation) depreciation in marketable securities	390,907	(341,895)
Net changes in operating assets and liabilities:		
Contributions and pledges receivable, net	(300,467)	(171,301)
Prepaid expenses and other assets	45,425	60,524
Due from affiliates	-	35,179
Accounts payable	39,371	(9,091)
Accrued expenses and other liabilities	45,326	(7,759)
Due to affiliates	<u>(32,797)</u>	<u>(146,661)</u>
Net Cash from Operating Activities	<u>(627,436)</u>	<u>491,302</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,978,893)	(47,375)
Gross proceeds from the sale of investments	2,166,000	-
Purchases of property and equipment	<u>(6,836)</u>	<u>(2,200)</u>
Net Cash from Investing Activities	<u>180,271</u>	<u>(49,575)</u>
Cash Flows from Financing Activities		
Advances (repayments) of line of credit	-	(150,000)
Proceeds from PPP loan	<u>-</u>	<u>131,561</u>
Net Cash from Financing Activities	<u>-</u>	<u>(18,439)</u>
Net Change in Cash	(447,165)	423,288
Cash—Beginning of Year	<u>988,724</u>	<u>565,436</u>
Cash—End of Year	<u>\$ 541,559</u>	<u>\$ 988,724</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for Interest	<u>\$ -</u>	<u>\$ 2,918</u>

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

I Have a Dream Foundation
Statement of Functional Expenses
For the Year Ended August 31, 2022
(with summarized financial information as of August 31, 2021)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>2021</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$1,344,841	\$ 235,491	\$ 195,886	\$ 1,776,218	\$ 1,256,800
Payroll taxes and employee benefits	344,143	53,865	48,752	446,760	261,950
Professional fees	24,325	174,049	114,037	312,411	133,978
Work study	26,767	-	-	26,767	-
Programming services	141,329	2,091	-	143,420	167,875
National programming	64,530	6	-	64,536	164,050
Contractors	-	-	-	-	126,762
Office and Program supplies	54,010	15,882	-	69,892	13,303
Travels, meals, & hosting program	160,111	4,302	-	164,414	-
Travels, meals, & hosting non-program	56,765	14,155	787	71,706	33,899
State registration & other fees	-	20,128	14,268	34,396	54,641
Printing and media	2,998	1,140	-	4,138	29,521
Subscriptions & memberships	6,895	15,433	2,031	24,359	40,915
Staff development & recruiting	4,163	70,412	-	74,575	2,022
Furniture & equipment	3,150	9,292	-	12,442	11,695
Occupancy and insurance	2,004	179,352	41	181,397	180,429
Miscellaneous expense	1,746	3,243	-	4,989	-
Post secondary support	184,067	-	-	184,067	317,200
In kind legal services	-	-	-	-	206,780
Depreciation and amortization	<u>10,092</u>	<u>1,062</u>	<u>2,125</u>	<u>13,279</u>	<u>21,079</u>
Total Expenses	\$2,431,936	\$ 799,903	\$ 377,927	\$ 3,609,766	\$ 3,022,898

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

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

1. Organization

I Have A Dream Foundation, (the "Foundation") is a national, not-for-profit organization established to promote and coordinate the local "I Have A Dream Foundation" programs across the United States. The Foundation develops the overarching vision, goals, and strategy for the "I Have A Dream" affiliate network to ensure that the Foundation is having the greatest possible impact at both the affiliate and national levels. The "I Have A Dream" program motivates and empowers children from low-income communities to reach their postsecondary goals by providing a long-term program of mentoring, tutoring academic enrichment, social support, and tuition assistance for postsecondary education.

The Foundation maximizes network performance by supporting affiliate efforts to increase impact and ensure sustainability over time by (1) identifying, distilling and sharing best practices; (2) providing training and technical support to enhance programming and operations; and (3) leading evaluation and continuous improvement efforts across the affiliate network. The Foundation also leads efforts to grow the network through securing additional funding sources and starting new affiliates. In addition, the Foundation leads research and development efforts with respect to new and innovative programming ideas for eventual deployment to affiliates across the country.

The Foundation is supported primarily through donor contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting and conform to the Accounting Standards Codification (ASC) guidance for not-for-profit organizations. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations that are not subject to donor imposed (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions (continued):

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash deposits are held in one institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Restricted Funds for College Savings Account Program

The Foundation launched a college savings account program for high school students to provide funding for college expenses for the students. These students are associated with the various affiliate programs across the United States. The Foundation is the owner of these accounts with the students listed as the beneficiaries. The students may invest these funds in cash equivalents and aged based investment options.

Investments

The Foundation adopted the provisions of FASB ASC 820 “Fair Value Measurements and Disclosures” which defines fair value, provides a framework for measuring fair value and outlines required disclosures regarding fair value. ACS 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date under current market conditions.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

In determining fair value, the Foundation uses various valuation approaches. These provisions establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that a valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Foundation's investments are generally included in Level 1 of the fair value hierarchy as determined by quoted market priced on a national securities exchange. The following are the types of investments that the Foundation held as of August 31, 2022 and 2021:

<u>Level 1</u>	<u>2022</u>	<u>2021</u>
Money Market	\$ 300,000	\$ -
Fixed Income	168,314	132,272
Equities	1,554,295	2,040,658
Bond Funds	<u>356,746</u>	<u>729,248</u>
Total Level 1	<u>\$ 2,379,355</u>	<u>\$ 2,902,178</u>

Investments and certain cash and cash equivalents are held by a brokerage firm and managed by an investment advisor in accordance with the terms of an investment advisory agreement.

Purchases and sales of marketable securities are recorded on a trade date basis. Realized gains and losses on marketable securities are determined on a specific identification basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment income is recognized when earned.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. As of August 31, 2022, all contributions receivable are recorded at net realizable value.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of August 31, 2022, management estimated the amount of uncollectible receivables related to the annual gala totaled \$14,185, and recorded an allowance equal to this estimate. No allowance was recorded as of August 31, 2021.

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis using the following estimated useful lives:

	Life in Years
Leasehold Improvements	5
Furniture, Computers, and Equipment	3-7

Contributions and Grants

Unconditional contributions are recorded as revenues when received unless a donor makes a conditional promise to give, then the Foundation recognizes the promise to give when made by the donor. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for current use, unless specifically restricted by the donor.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Most grant income is immediately recorded as net assets with donor restrictions and released as expenditures can be matched. In some cases, grants are promised based on an after the fact submission of actual expenses. In these cases, income is not recognized until it can be matched against the specific expenditures which are to be submitted for reimbursement.

Special Events

For the years ended August 31, 2022 and 2021, revenues from special events are net of related expenses including event planning, venue costs, food and entertainment, travel, printing and postage expenses and photography.

Contributed Goods and Services

Amounts are reported in the financial statements for voluntary donations of goods and services when those goods and services create or enhance nonfinancial assets or require specialized skills provided by donors possessing those skills and which would be typically purchased if not provided by the donation. Donated services are recorded at fair market value at the time services are provided. Donated goods and materials are recorded at fair market value at the date of the gift.

During the years ended August 31, 2022 and 2021, the Foundation received donated services of \$- and \$206,780, respectively, for legal services. The legal services were used to provide support for programs, fundraising and development and management and general services. These amounts are recognized as revenues and expenses in the accompanying statement of activities.

Licensing Fees

The Foundation receives annual licensing fees from its affiliates for support services provided to the affiliates.

Investment Income

Income from investments, including realized and unrealized gains and losses, dividends and interest are reported as increases (or decreases) in net assets without donor restrictions unless the use of the income received is limited by donor-imposed restrictions.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Such allocations are determined by management on a reasonable basis. The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Operating costs	Functional estimates

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk, consist of cash and cash equivalents and marketable securities. The Foundation places its cash deposits with quality financial institutions to limit its credit exposure. Cash amounts are insured by the Federal Deposit Insurance Corporation (“FDIC”). Investment and cash amounts are insured by the Securities Investor Protection Corporation (“SIPC”). Amounts insured by SIPC are up to \$500,000 (with a limit of \$250,000 for cash). At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Concentration of credit risk with respect to marketable securities is limited due to the Foundation holding a diverse portfolio.

At year end, August 31, 2022, the Foundation had cash and cash equivalents with a carrying value of \$541,555, of which \$250,000 was fully insured by the FDIC limits.

At August 31, 2022 and 2021, 44% of contributions receivable were due from one donor and 56% of contributions receivable were due from two donors; respectively. For the year ended August 31, 2022 three donors accounted for approximately 50% of contribution and sponsors revenue. For the year ended 2021, two donors accounted for approximately 49% of contribution and sponsors revenue.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Foundation filed federal tax Form 990, *Return of Organization Exempt from Income Tax*, for the years ending August 31, 2019, 2020, and 2021 which are subject to examination by the IRS. Returns are generally subject to examination for three years after they were filed.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT).

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There were no unrecognized tax benefits identified or recorded as liabilities as of August 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Presentation

Certain 2021 balances have been reclassified to conform to current year presentation.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The objective of this update is to provide a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This new standard will primarily apply to exchange transactions for non-profit Foundations. The update is effective for the 2021 annual reporting period. The adoption of the standard did not have a material impact on the Company's financial statements.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2019 for entities that are resource recipients and for annual periods beginning after December 15, 2020 for entities that are resource providers, with early adoption permitted. The update is effective for the 2021 annual reporting period. The adoption of the standard did not have a material impact on the Company's financial statements.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021 (calendar year 2022 for the Organization). A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

3. Significant Risk Factors

In the normal course of business, the Foundation enters into transactions in various financial instruments. The Foundation's financial instruments are subject to, but are not limited to, the following risks:

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

Credit Risk

Credit risk represents the potential loss that the Foundation would incur if the counterparties failed to perform pursuant to the terms of their obligations to the Foundation.

Interest Rate Risk

Interest rate risk represents the effect from a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

4. Liquidity and Availability

The Foundation receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Foundation forecasts its future cash flows and monitors its liquidity regularly.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

4. Liquidity and Availability (continued)

The following represents the Foundation's financial assets available for use for general expenditures within one year of the statements of financial position at August 31, 2022:

	2022	2021
Financial assets at period end:		
Cash & cash equivalents	\$ 541,559	\$ 988,724
Investments in marketable securities	2,379,355	2,902,178
Contributions and pledges receivable, net	468,118	181,836
Total financial assets	3,389,032	4,072,738
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions	(2,591,547)	(2,836,412)
Net financial assets after donor-imposed restrictions	797,485	1,236,326
Financial assets available to meet cash needs for general expenditures within one year	\$ 797,485	\$ 1,236,326

5. Property and Equipment

Property and equipment consist of the following items at August 31, 2022 and 2021

	2022	2021
Furniture, fixtures, and equipment	\$ 142,416	\$ 141,079
Leasehold improvements	27,538	27,538
Intangible assets	37,950	32,450
Less: accumulated depreciation and amortization	(192,198)	(178,918)
Net property and equipment	\$ 15,706	\$ 22,149

Depreciation and amortization expense for the years ended August 31, 2022 and 2021 amounted to \$21,079 and \$23,615, respectively.

6. Line of Credit

The Foundation maintains a \$150,000 revolving line of credit with a bank and is renewable annually. Amounts outstanding under this facility are due on demand and bear interest at the prime lending rate plus 0.50% per annum. As of August 31, 2022, the interest rate is 3.75%. The line of credit is collateralized by all the assets of the Foundation. As of August 31, 2022 and 2021, no balance was outstanding under this facility, respectively.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

7. Related Party Transactions

As of August 31, 2022 and 2021, the Foundation owes the NY Foundation \$14,759 and \$47,556, respectively, for donations received and held on behalf of the NY Foundation.

A member of the Board of Directors has an interest in the building that leases office space to the Foundation. Rent concessions were provided in fiscal years 2022 and 2021 (see Note 9).

For the year ended August 31, 2022 and 2021, a member of the Board of Directors and his law firm donated legal services to the Foundation in the amounts of \$0 and \$206,780, respectively (See Note 2).

8. Net Assets with Donor Restrictions

Net assets with donor restrictions, consisting of the following at August 31, 2022 and 2021 :

Purpose restricted:	<u>2022</u>	<u>2021</u>
Endowment	\$ 2,302,623	\$ 2,443,405
Chelsea Dreamers	8,576	229,996
Building Wellness grant	8,615	8,615
Expansion	84,383	18,810
Cherokee Nation	84,850	-
Program support	75,000	-
Great Expectations	-	55,728
Ravenswood	-	2,358
Food Insecurity	<u>27,500</u>	<u>77,500</u>
	<u>\$ 2,591,547</u>	<u>\$ 2,836,412</u>

The Foundation received a \$2,500,000 endowment from an estate during the fiscal year ended August 31, 2017. The endowment is restricted for the specific charitable purpose of funding payments mainly to assist disadvantaged children in the five boroughs of New York City as determined by the Foundation. Payments from the endowment fund shall be used to assist high school students to increase their skills and receive counseling to prepare for success in college. The endowment shall be used to provide assistance in payment for students' expenses for tuition, books, housing, food, and a reasonable spending allowance.

The contribution will be held as an endowment for twenty-five years with only the income, less one percent of income therefrom, to be used for payments connected with the specific charitable purpose of the endowment. One percent of the income is to be added to the principal and reinvested against future inflation. After twenty-five years, the Foundation may distribute all of its income for the restricted charitable purpose annually.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

8. Net Assets with Donor Restrictions (continued)

Net assets in the amount of \$1,038,794 and \$1,375,312 were released from restrictions during 2022 and 2021, respectively, by incurring expenses satisfying the purpose or time restrictions specified by donors.

9. Commitments and Contingencies

The Foundation leases an office facility under non-cancelable long-term operating leases expiring in June 2021.

For the year ended August 31, 2021, the base rent was reduced and several months of unpaid rent were abated by the landlord. Effective January 1, 2021, monthly rent was adjusted to \$6,000 per month through the end of the lease term. Effective November 1, 2021 the lease agreement was amended, an additional space was surrendered, and the monthly rent was adjusted to \$8,313 effective November 1, 2021. The lease term expires on October 31, 2022. Upon expiration of the lease, the term moves to month to month and a 3% increase will be added to fixed monthly lease payment.

Total minimum future lease payments (including lease payments allocated to the NY Foundation) for the years ending August 31 for the next five years and in the aggregate are as follows:

	<u>Office</u>
2023	<u>\$ 6,626</u>
	<u>\$ 6,626</u>

Rent expense for the office facility and equipment, including operating expenses for the office facility, for the years ended August 31, 2022 and 2021 amounted to \$124,639 and \$123,232, respectively.

10. Employee Benefit Plan

The Foundation sponsors a 403(b) tax deferred annuity plan covering all eligible employees. The plan permits employees to contribute a percentage of their compensation to the plan on a pre-tax basis subject to annual limitations set by the Internal Revenue Service. All employee contributions are fully vested. The Foundation does not contribute to the plan.

I Have A Dream Foundation

Notes to Financial Statements

August 31, 2022 and 2021

11. Compensated Absences

Employees of the Foundation are entitled to paid vacation and sick days. Compensated absences for paid vacation and sick days have been estimated to be approximately \$24,700 and \$23,200 for the years ended August 31, 2022 and 2021, respectively, and is included in accrued expenses and other liabilities on the accompanying statement of financial position.

The Foundation allows employees to carry over five unused vacation and sick days to the next fiscal year. Requests to carry over unused vacation and sick days in excess of five days need to be submitted in writing to the President of the Foundation no later than one month prior to the end of the fiscal year.

12. Paycheck Protection Loan

On May 5, 2020, the Organization received loan proceeds of \$128,685 (the “PPP Loan”), pursuant to the Small Business Association (“SBA”) Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The first PPP Loan, which was in the form of a Note dated May 5, 2020, and carried an interest rate of 1% per annum, payable monthly commencing on November 5, 2020. If an Organization expects full forgiveness, payments are suspended. No payments were made and the Organization obtained full forgiveness of the note on November 17, 2021.

The Organization received loan proceeds from the second round of PPP funding of \$131,561 on March 9, 2021. The loan terms of the second round of PPP funds were substantially similar to the first round. Funds from the PPP loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Organization used the full amount of PPP loan amount for qualifying expenses. As full forgiveness is anticipated, the loan has been reclassified as forgiveness revenue as of the fiscal year ended August 31, 2022.

13. Subsequent Events

The Organization evaluated all events or transactions that occurred after August 31, 2022 and through June 12, 2023 the date the financial statements were available to be issued.