Financial Statements
Year Ended
June 30, 2020

Dream Catchers

Contents

Beth Moore
&Associates, CPAs

Independent Auditors' Report

To the Board of Directors
Dream Catchers

We have audited the accompanying financial statements of ***Dream Catchers*** (Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 ***Dream Catchers*** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Beth Moore & Associates, CPAs

September 10, 2020

Expertise ~ Attention ~ Agility

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Dream Catchers

Statement of Financial Position

June 30, 2020

Assets		
Current assets		
Cash and cash equivalents	$	753,106
Accounts receivable		10,419
Prepaid expenses		29,107
Inventory		2,540
Total current assets		795,172
Property and equipment - net		393,853
Other asset - endowment		36,820
	$	1,225,845
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$	46,357
Accounts payable		27,570
Accrued payroll		13,618
Deferred revenue		37,115
Total current liabilities		124,660
Long-term debt - less current portion		45,643
Total liabilities		170,303
Net assets		
Without donor restrictions		501,056
With donor restrictions		554,486
Total net assets		1,055,542
	$	1,225,845

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

Dream Catchers

Statement of Activities and Net Assets

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Contributions	$ 214,562	$ 27,850	$ 242,412
Grants	193,500	446,108	639,608
Special events - net	50,670	26,476	77,146
In-kind contributions	2,217	-	2,217
Net assets released from restriction	114,048	(114,048)	-
Total support	574,997	386,386	961,383
Revenue:			
Program fees	165,449	-	165,449
Miscellaneous	13,085	-	13,085
Interest	287	2	289
Merchandise sales - net	2,538	-	2,538
Total revenue	181,359	2	181,361
Total support and revenue	756,356	386,388	1,142,744
Expenses			
Program services	677,106	-	677,106
Management and general	71,860	-	71,860
Fundraising	84,180	-	84,180
Total expenses	833,146	-	833,146
Change in net assets	(76,790)	386,388	309,598
Net assets - beginning of year	577,846	168,098	745,944
Net assets - end of year	$ 501,056	$ 554,486	$ 1,055,542

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

Dream Catchers

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Advertising	$ -	$ 2,745	$ -	$ 2,745
Accounting fees	-	8,180	-	8,180
Bank and credit card fees	3,932	-	3,932	7,864
Conference and meetings	686	76	-	762
Depreciation	71,102	3,742	-	74,844
Donor development	-	-	9,418	9,418
Dues and subscriptions	2,966	-	-	2,966
Education workshops	9,269	-	-	9,269
Employee benefits	36,666	10,476	5,238	52,380
Equine assisted activities and therapies	23,474	-	-	23,474
Horse care	58,184	-	-	58,184
Information technology	8,221	913	-	9,134
Insurance	34,195	3,799	-	37,994
Miscellaneous	5,248	580	-	5,828
Office expenses	19,663	1,092	1,092	21,847
Payroll taxes	24,406	2,532	4,478	31,416
Professional fees	2,228	1,487	1,487	5,202
Repairs and maintenance	19,198	1,756	-	20,954
Salaries and wages	330,596	33,098	58,535	422,229
Tack expense	1,839	-	-	1,839
Travel	952	106	-	1,058
Utilities	24,281	1,278	-	25,559
	$ 677,106	$ 71,860	$ 84,180	$ 833,146

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

Dream Catchers

Statement of Cash Flows

Year Ended June 30, 2020

Cash flows from operating activities		
Change in net assets	$	309,598
Adjustments to reconcile to net cash from operating activities:		
Depreciation		74,844
In-kind contributions for donated property and equipment		(2,217)
Change in assets and liabilities:		
Accounts receivable		14,316
Prepaid expenses		(10,870)
Inventory		(103)
Accounts payable		19,672
Accrued payroll		1,984
Deferred revenue		22,211
Accrued vacation		(2,685)
Net cash from operating activities		426,750
Cash flows from investing activities		
Additions to endowment		(26,320)
Purchases of property and equipment		(63,847)
Net cash from investing activities		(90,167)
Cash flows from financing activities		
Proceeds from long-term debt		92,000
Net change in cash and cash equivalents		428,583
Cash and cash equivalents - beginning of year		324,523
Cash and cash equivalents - end of year	$	753,106
Supplemental disclosure of noncash activities		
In-kind contributions for donated property and equipment	$	2,217

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

1. Organization and Nature of Activities

Dream Catchers (Organization) improves the quality of life for individuals with physical, emotional and developmental needs by providing evidence-based therapeutic riding, equine assisted activities and advancing effective practices through professional education and research. The Organization serves clients in the greater Williamsburg, Richmond and Hampton Roads regions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets, support, revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as:

- **Without Donor Restrictions -** Those resources not subject to donor-imposed restrictions and available for use in general operations. The Board of Directors (Board) has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose.
- **With Donor Restrictions -** Those resources subject to donor-imposed restrictions that will be satisfied by action of Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments including time deposits with an initial maturity of three months or less to be cash equivalents.

Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization places its cash on deposit with national banks. Collected funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At June 30, 2020, the banks' collected balances did not exceed FDIC insurance.

Management believes that its billing and collection policies are adequate to minimize the potential credit risk associated with accounts receivable.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. It is the policy of management to review outstanding accounts receivable at year-end, as well as any bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. In management's opinion, no allowance for doubtful accounts is necessary as accounts receivable are considered fully collectible at June 30, 2020.

Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at fair market value at the date of receipt. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $500. When an asset is sold, retired, or otherwise disposed, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included on the statement of activities and net assets. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	Years
Machinery and equipment	5 - 10
Furniture and fixtures	5 - 7
Buildings	15 - 39
Land improvements	7 - 20
Software	3
Horses	3

Inventory

The Organization values its inventory, which consists of apparel, at the lower of cost, determined on a first-in, first-out basis, or market.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a qualified charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, it is classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction for its donors. As a result, the accompanying financial statements include no provision for income taxes. The Organization has determined that it does not have any material unrecognized income tax benefits or obligations as of June 30, 2020. Fiscal years ending on or after June 30, 2017, remain subject to examination by federal and state tax authorities.

Volunteer Services and In-Kind Contributions

The Organization recognizes in-kind contributions as revenues and expenses in the period in which they are received. Donated materials are valued at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for program or supporting volunteer services since they are not susceptible to objective measurement or valuation and have not met the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

The Organization receives a significant amount of donated services from unpaid volunteers who provide program services and assist in fundraising and special projects. These volunteer hours have not been recognized in the statement of activities and net assets because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contribution is recorded as support with donor restrictions. In the absence of such stipulations, contribution of property and equipment is recorded as support without donor restrictions.

In-kind contributions of $2,217 for donated property and equipment have been included in total support on the statement of activities and net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Expenses

The costs of operating the Organization's program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses that relate to a specific program or supporting service are allocated directly.

Advertising

Advertising costs are expensed as incurred and were $2,745 for 2020.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2019. Early adoption is permitted.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for nonpublic entities for years beginning after December 15, 2021. Early adoption is permitted.

3. Prepaid Expenses

Prepaid expenses primarily represent unexpired insurance premiums and expenses for special events to be held in the next fiscal year. Prepaid expenses at June 30, 2020 were $29,107.

4. Property and Equipment

Property and equipment consist of the following:

Machinery and equipment	$ 128,753
Furniture and fixtures	56,431
Buildings	1,044,399
Land improvements	186,536
Software	12,166
Horses	11,450
	1,439,735
Less - accumulated depreciation	(1,045,882)
	$ 393,853

Depreciation expense for 2020 was $74,844.

5. Deferred Revenue

Deferred revenue consists of monies received in advance for sponsorships, summer camps, and riding sessions to be offered in the upcoming fiscal year. Deferred revenue at June 30, 2020 was $37,115.

6. Special Events

The Organization hosted several fundraising events during 2020. Revenue and expenses related to such events are as follows:

Special events revenue	$ 114,320
Less - direct costs of special events	(37,174)
Special events - net	$ 77,146

7. Conditional Promises to Give - Cori Sikich Foundation

The Organization's facilities reside on 22.15 acres of land provided by the Cori Sikich Foundation. The Cori Sikich Foundation will hold the land until August 2024 at which time the land will convey to the Organization providing it is still in operation. The estimated fair value of the use of the donated land has not been included in the statement of activities and net assets.

8. Net Assets With Donor Restrictions

Net assets were restricted for the following purposes at June 30, 2020:

	July 1, 2019	Contributions With Donor Restrictions	Restrictions Released	June 30, 2020
For specific purpose:				
Scholarships	$ 60,793	$ 14,350	$ (43,772)	$ 31,371
Capital	70,175	435,056	(53,304)	451,927
Other	7,393	711	(6,361)	1,743
Kids N Grief	10,200	-	(6,700)	3,500
At Risk Youth	6,642	24,000	(1,517)	29,125
Youth Philanthropy	2,394	-	(2,394)	-
	157,597	474,117	(114,048)	517,666
Not subject to expenditure:				
Investment in perpetuity	10,501	26,319	-	36,820
	$ 168,098	$ 500,436	$ (114,048)	$ 554,486

9. Endowment Fund

In 2018, the Organization's Board approved the establishment of an endowment fund (Endowment) to provide the Organization with a reliable and consistent, long-term source of funding for operations. An initial contribution of $10,500 was received from a donor to fund the Endowment.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board instituted an investment policy for the Endowment to meet the Organization's current operating needs and protect the future purchasing power of the Endowment. The Board is still developing the spending policies. In 2020, there were no withdrawals from the Endowment.

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate 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, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: Currently, the funds are maintained in an interest-bearing bank account. The Board is still in the process of developing the investment policy for the Endowment that attempts to provide the maximum return within certain constraints. The funds must be invested with the care, skill and diligence that a prudent man acting in this capacity would undertake. All investments will be made within quality, marketability and diversification guidelines. The greatest focus is on long-term appreciation of the assets and consistency of total portfolio returns.

Spending Policy: The Board is still in the process of developing the spending policy for the Endowment. The policy will govern the use of the Endowment.

Endowment net asset composition by type is as follows at June 30, 2020:

Endowment net assets - June 30, 2019	$	10,501
Contributions		26,317
Investment return - net		2
Endowment net assets - June 30, 2020	$	36,820

10. Long-Term Debt

On April 15, 2020, the Organization applied for and was approved for a $92,000 note payable under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin until October 15, 2020. The Organization is eligible for loan forgiveness of up to 100% of the loan less any amounts received as an Economic Injury Disaster Loan advance, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The note matures at March 15, 2022 or the obligation is paid off.

Future principal maturities for the above long-term debt are as follows:

2021	$	46,357
2022		45,643
	$	92,000

11. Liquidity and Availability

The Organization has approximately $246,000 available to meet its cash needs for general expenditures within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consist of cash on hand for 60 days of normal operating expenses, which, on average, approximate $138,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

13. Concentrations

During 2020, the Organization's largest grant was 36% of total support and revenue.

14. Commitments and Contingencies

Certain contracts and grants received by the Organization are subject to audit or review by the grantor and payor agencies. As a result of these audits or reviews, the Organization may be required to repay a portion of grant or contract funds received.

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. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position or operations of the Organization going forward at this time.

14. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 10, 2020, the date the financial statements were available to be issued.

The Paycheck Protection Flexibility Act of 2020, P.L. 116-142 extended the deferral period for loan payments to either the date the U.S. Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender or if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. New guidance, found in question No. 52 in the SBA's frequently asked question document for the PPP, clarifies that the deferral period extension automatically applies to all loans, with no requirement from the SBA of a formal modification of the promissory note.

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