

*Financial Statements
For the Year Ended
June 30, 2021*



Dream Catchers

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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, 2021, and the related statements of activities, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Beth Moore & Associates, CPAs

August 24, 2021

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Dream Catchers

Statement of Financial Position

June 30, 2021

Assets

Current assets

Cash and cash equivalents	\$ 604,056
Accounts receivable	22,685
Prepaid expenses	9,352
Inventory	546

Total current assets 636,639

Property and equipment - net 359,778

Other asset - endowment 60,289

\$ 1,056,706

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 38,788
Accrued payroll	17,363
Deferred revenue	13,290

Total current liabilities 69,441

Net assets

Without donor restrictions	409,544
With donor restrictions	577,721

Total net assets 987,265

\$ 1,056,706

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

Dream Catchers

Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 162,548	\$ 60,148	\$ 222,696
Grants	125,085	-	125,085
Special events - net	149,052	-	149,052
In-kind contributions	10,233	-	10,233
Program fees	257,986	-	257,986
Other	92,000	-	92,000
Interest	490	7	497
Merchandise sales - net	2,411	-	2,411
Net assets released from restriction	36,920	(36,920)	-
Total support and revenue	836,725	23,235	859,960
Expenses			
Program services	769,503	-	769,503
Management and general	67,684	-	67,684
Fundraising	91,050	-	91,050
Total expenses	928,237	-	928,237
Change in net assets	(91,512)	23,235	(68,277)
Net assets - beginning of year	501,056	554,486	1,055,542
Net assets - end of year	\$ 409,544	\$ 577,721	\$ 987,265

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

Dream Catchers

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ 3,923	\$ -	\$ 3,923
Accounting fees	6,443	2,147	-	8,590
Bank and credit card fees	-	3,432	3,431	6,863
Conference and meetings	1,244	138	-	1,382
Depreciation	63,875	3,362	-	67,237
Donor development supplies	-	-	10,233	10,233
Dues and subscriptions	-	2,759	-	2,759
Education workshops	7,111	-	-	7,111
Employee benefits	33,361	9,532	4,766	47,659
Equine assisted activities and therapies	27,050	-	-	27,050
Horse care	122,405	-	-	122,405
Information technology	7,147	894	894	8,935
Insurance	30,349	3,794	3,794	37,937
Miscellaneous	2,633	329	329	3,291
Office expenses	19,647	1,092	1,092	21,831
Payroll taxes	27,559	2,213	4,454	34,226
Professional fees	5,110	1,860	845	7,815
Repairs and maintenance	29,819	1,756	-	31,575
Salaries and wages	350,415	28,934	58,222	437,571
Tack expense	9,705	-	-	9,705
Travel	211	24	-	235
Utilities	25,419	1,495	2,990	29,904
	\$ 769,503	\$ 67,684	\$ 91,050	\$ 928,237

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

Dream Catchers

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash flows from operating activities

Change in net assets	\$ (68,277)
Adjustments to reconcile to net cash from operating activities:	
Other support and revenue	(92,000)
Depreciation	67,237
Change in assets and liabilities:	
Accounts receivable	(12,266)
Prepaid expenses	19,755
Inventory	1,994
Accounts payable	11,218
Accrued payroll	3,745
Deferred revenue	(23,825)
Net cash from operating activities	<u>(92,419)</u>

Cash flows from investing activities

Net change in investment - endowment	(23,469)
Purchases of property and equipment	(33,162)
Net cash from investing activities	<u>(56,631)</u>

Net change in cash and cash equivalents (149,050)

Cash and cash equivalents - beginning of year 753,106

Cash and cash equivalents - end of year \$ 604,056

Supplemental disclosure of noncash activities

In-kind contributions for donated supplies	\$ 10,233
Other support and revenue recognized in exchange for PPP loan forgiveness	\$ 92,000

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

Dream Catchers

Notes to Financial Statements

June 30, 2021

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.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Organization adopted the standard effective July 1, 2020 using the modified retrospective approach. The Organization analyzed the provisions of the new guidance, and has concluded that no changes are necessary to conform to the new standard. The Organization has also adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In management's opinion the adoption of these standards did not result in a material difference from the previous policy and therefore, the Organization's beginning net assets has not been adjusted to reflect any adjustments.

The Organization recognizes revenue from therapeutic riding, equine assisted activities and advancing effective practices through professional education and research. Fees are recognized as revenue when the performance obligation of providing the activity is met.

Contributions and grants are recognized at a point in time when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are considered available for use without restrictions, unless specifically restricted by the donor. All donor-restricted contributions, grants and time-restricted promises to give that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions and grants and time-restricted promises to give are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization records special events revenue equal to the fair value of direct benefit to donors, and contribution revenue for the difference.

Financial Statement Presentation

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 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, 2021, 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

Accounts receivable consist of receivables related to program fees and are recorded at the invoiced amount based on the amounts expected to be collected. The Organization writes off accounts receivable once all collection efforts have been met and the account is deemed uncollectible. Currently, an allowance for doubtful accounts is established only as result of an adverse change in the customers' ability to pay their outstanding balances. In management's opinion, no allowance for doubtful accounts is necessary as accounts receivable are considered fully collectible at June 30, 2021.

Property and Equipment

Property and equipment are stated at cost for items purchased by the Organization and at fair value at the date of the gift for items donated to the Organization. The Organization follows a policy of capitalizing property and equipment with a cost or fair value at the time of the donation in excess of \$500. The costs of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in support and revenues.

Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
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, 2021. Fiscal years ending on or after June 30, 2018, 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 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 \$10,233 for donated supplies have been included in total support on the statement of activities.

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 \$3,923 for 2021.

New Accounting Pronouncements

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 24, 2021, the date the financial statements were available to be issued.

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, 2021 were \$9,352.

4. Property and Equipment

Property and equipment consist of the following:

Machinery and equipment	\$ 144,636
Furniture and fixtures	56,431
Buildings	1,044,399
Land improvements	186,536
Software	12,166
Horses	28,730
	<hr/>
	1,472,898
Less - accumulated depreciation	(1,113,120)
	<hr/>
	\$ 359,778

Depreciation expense for 2021 was \$67,237.

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, 2021 was \$13,290.

6. Special Events

The Organization hosted several fundraising events during 2021. Revenue and expenses related to such events are as follows:

Special events revenue	\$ 157,696
Less - direct costs of special events	(8,644)
Special events - net	<hr/>
	\$ 149,052

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.

8. Net Assets With Donor Restrictions

Net assets were restricted for the following purposes at June 30, 2021:

	July 1, 2020	Contributions With Donor Restrictions	Restrictions Released	June 30, 2021
For specific purpose:				
Scholarships	\$ 31,371	\$ 21,472	\$ (29,628)	\$ 23,215
Capital	451,927	9,556	-	461,483
Other	1,743	5,658	-	7,401
Kids N Grief	3,500	-	(3,500)	-
At Risk Youth	29,125	-	(3,792)	25,333
Endowment – investment income	-	7	-	7
	<u>517,666</u>	<u>36,693</u>	<u>(36,920)</u>	<u>517,439</u>
Not subject to expenditure:				
Investment in perpetuity	36,820	23,462	-	60,282
	<u>\$ 554,486</u>	<u>\$ 60,155</u>	<u>\$ (36,920)</u>	<u>\$ 577,721</u>

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 2021, there were no withdrawals from the Endowment.

The Organization is subject to the State Uniform Prudent Management of Institutional Funds Act (SUPMIFA) 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 SUPMIFA 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 SUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SUPMIFA, 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, 2021:

	With Donor Restrictions
Endowment fund - June 30, 2020	\$ 36,820
Investment return - net	7
Contributions	<u>23,462</u>
Endowment fund - June 30, 2021	<u>\$ 60,289</u>

10. Paycheck Protection Program – Forgivable Loan

On March 25, 2021, 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 (SBA). The loan is uncollateralized and is full guaranteed by the Federal government. The loan matures in five years and accrues interest at 1%. In 2021, the Organization received written verification that the PPP loan was fully forgiven.

11. Liquidity and Availability

The Organization has approximately \$109,000 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 less depreciation, which, on average, approximate \$143,500. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management continues to research funding opportunities for the Organization to increase its annual support and revenues.

12. 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.

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