

*Financial Statements
For the Year Ended
June 30, 2022*



Dream Catchers

Contents

	Page
<i>Independent Auditors' Report</i>	1 - 2
<i>Financial Statements</i>	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7 - 13



Independent Auditors' Report

To the Board of Directors
Dream Catchers

Opinion

We have audited the accompanying financial statements of *Dream Catchers* (Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses 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 *Dream Catchers* as of June 30, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of *Dream Catchers* 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 *Dream Catchers'* ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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

Expertise ~ Attention ~ Agility

735 Thimble Shoals Blvd., Suite 150 | Newport News, VA 23606
www.bethmoorecpa.com | Phone 757.224.1174 | Fax 757.224.1323

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 *Dream Catchers*' 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 *Dream Catchers*' 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.

Moore Candella & Associates, CPAs

February 8, 2023

Dream Catchers

Statement of Financial Position

June 30, 2022

Assets

Current assets

Cash and cash equivalents	\$ 570,865
Accounts receivable	15,780
Receivable - other	151,395
Prepaid expenses	3,026
Inventory	1,314

Total current assets 742,380

Property and equipment - net 366,142

Other asset - endowment 63,647

\$ 1,172,169

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 24,115
Accrued payroll	18,259
Deferred revenue	15,408

Total current liabilities 57,782

Net assets

Without donor restrictions	483,473
With donor restrictions	630,914

Total net assets 1,114,387

\$ 1,172,169

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

Dream Catchers

Statement of Activities

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 82,446	\$ 11,181	\$ 93,627
Grants	70,208	12,561	82,769
Special events - net	191,269	150,458	341,727
In-kind contributions	24,050	-	24,050
Program fees	242,712	-	242,712
Other	152,624	-	152,624
Interest	4,560	5	4,565
Merchandise sales - net	1,344	-	1,344
Net assets released from restriction	121,012	(121,012)	-
Total support and revenue	890,225	53,193	943,418
Expenses			
Program services	694,532	-	694,532
Management and general	58,725	-	58,725
Fundraising	63,039	-	63,039
Total expenses	816,296	-	816,296
Change in net assets	73,929	53,193	127,122
Net assets - beginning of year	409,544	577,721	987,265
Net assets - end of year	\$ 483,473	\$ 630,914	\$ 1,114,387

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

Dream Catchers

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 1,445	\$ 12,800	\$ 349	\$ 14,594
Accounting fees	7,856	2,619	-	10,475
Bank and credit card fees	3,804	-	3,803	7,607
Conference and meetings	345	38	-	383
Depreciation	52,287	2,752	-	55,039
Donor development supplies	4,289	-	-	4,289
Dues and subscriptions	2,595	-	-	2,595
Education workshops	4,521	-	-	4,521
Employee benefits	9,999	2,857	1,428	14,284
Equine assisted activities and therapies	34,538	-	-	34,538
Horse care	110,195	-	-	110,195
Information technology	6,051	756	756	7,563
Insurance	31,699	3,962	3,962	39,623
Miscellaneous	1,820	227	228	2,275
Office expenses	11,802	656	656	13,114
Payroll taxes	27,131	1,986	3,418	32,535
Professional fees	2,471	890	440	3,801
Repairs and maintenance	10,760	1,756	-	12,516
Salaries and wages	342,913	25,960	44,680	413,553
Tack expense	3,342	-	451	3,793
Travel	287	32	-	319
Utilities	24,382	1,434	2,868	28,684
	<u>\$ 694,532</u>	<u>\$ 58,725</u>	<u>\$ 63,039</u>	<u>\$ 816,296</u>

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

Dream Catchers

Statement of Cash Flows

For the Year Ended June 30, 2022

Cash flows from operating activities

Change in net assets	\$ 127,122
Adjustments to reconcile to net cash from operating activities:	
Depreciation	55,039
Change in assets and liabilities:	
Accounts receivable	6,905
Receivable - other	(151,395)
Prepaid expenses	6,326
Inventory	(768)
Accounts payable	(14,673)
Accrued payroll	896
Deferred revenue	2,118
Net cash from operating activities	<u>31,570</u>

Cash flows from investing activities

Net change in investment - endowment	(3,358)
Purchases of property and equipment	(61,403)
Net cash from investing activities	<u>(64,761)</u>

Net change in cash and cash equivalents (33,191)

Cash and cash equivalents - beginning of year 604,056

Cash and cash equivalents - end of year \$ 570,865

Supplemental disclosure of noncash activities

In-kind contributions for donated supplies	\$ 24,050
--	-----------

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

Dream Catchers

Notes to Financial Statements

June 30, 2022

1. Organization and Nature of Activities

Dream Catchers (Organization) enriches the lives of children, adults, and families through equine assisted services offering education, empowerment, healing, and hope. 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.

Support and Revenues

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, 2022, the banks' collected balances exceeded FDIC coverage by \$22,987.

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, 2022.

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, 2022. Fiscal years ending on or after June 30, 2019, 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 \$24,050 for donated supplies have been included in total support and revenue 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 \$14,594 for 2022.

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.

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, 2022 were \$3,026.

4. Property and Equipment

Property and equipment consist of the following:

Machinery and equipment	\$ 184,277
Furniture and fixtures	56,431
Buildings	1,054,311
Land improvements	186,536
Software	12,166
Horses	40,580
	<hr/>
	1,534,301
Less - accumulated depreciation	(1,168,159)
	<hr/>
	\$ 366,142

Depreciation expense for 2022 was \$55,039.

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, 2022 was \$15,408.

6. Special Events

The Organization hosted several fundraising events during 2022. Revenue and expenses related to such events are as follows:

Special events revenue	\$ 368,341
Less - direct costs of special events	(26,614)
Special events - net	<hr/>
	\$ 341,727

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, 2022:

	July 1, 2021	Contributions With Donor Restrictions	Restrictions Released	June 30, 2022
For specific purpose:				
Scholarships	\$ 23,215	\$ 15,513	\$ (23,215)	\$ 15,513
Capital	461,483	107,162	(81,981)	486,664
Other	7,401	958	(3,556)	4,803
At Risk Youth	25,333	-	(12,260)	13,073
Day of Discovery	-	800	-	800
Dream Rider	-	46,414	-	46,414
Endowment - investment income	7	5	-	12
	<u>517,439</u>	<u>170,852</u>	<u>(121,012)</u>	<u>567,279</u>
Not subject to expenditure:				
Investment in perpetuity	60,282	3,353	-	63,635
	<u>\$ 577,721</u>	<u>\$ 174,205</u>	<u>\$ (121,012)</u>	<u>\$ 630,914</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 2022, 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, 2022:

	With Donor Restrictions
Endowment fund - June 30, 2021	\$ 60,289
Investment return - net	5
Contributions	3,353
Endowment fund - June 30, 2022	<u>\$ 63,647</u>

10. Liquidity and Availability

The financial assets available within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 570,865
Accounts receivable	15,780
Receivable - other	151,395
Less - donor restricted funds	<u>(567,267)</u>
	<u>\$ 170,773</u>

Amounts available have been reduced by amounts not available for general use within one year of the statement of financial position date due to donor-imposed restrictions and any internal designations. The Organization has \$170,773 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 \$127,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

11. 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.

12. Employee Retention Credit

In 2022, the Organization determined it was eligible for the Employee Retention Credit (ERC) under the CARES Act and has filed for the refunds of these credits. At June 30, 2022, the receivable - other is \$151,395, which represents refunds due on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return for the quarters ended June 30, 2021 and September 30, 2021, and accrued interest. The total ERC amount has been included in other support and revenue on the statement of activities for 2022. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim for the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

13. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 8, 2023, the date the financial statements were available to be issued.

In November 2022, the Organization was named in a lawsuit which could ultimately impact the Organization's current facility location. The Organization is not at this time in a position to express any opinion with respect to the claim.

* * * * *