

*Financial Statements
For the Year Ended
June 30, 2024*



Dream Catchers

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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, 2024, 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, 2024, 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

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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

September 27, 2024

Dream Catchers

Statement of Financial Position

June 30, 2024

Assets

Current assets

Cash and cash equivalents	\$ 728,514
Accounts receivable	15,350
Inventory	5,295
Prepaid expenses	<u>1,464</u>

Total current assets 750,623

Property and equipment - net 493,451

Other asset - endowment 43,659

\$ 1,287,733

Liabilities and Net Assets

Current liabilities

Note payable to bank	\$ 49,500
Accounts payable	23,496
Accrued payroll	129,897
Deferred revenue	<u>15,650</u>

Total current liabilities 218,543

Net assets

Without donor restrictions	436,533
With donor restrictions	<u>632,657</u>

Total net assets 1,069,190

\$ 1,287,733

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

Dream Catchers

Statement of Activities

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	\$ 92,843	\$ 86,921	\$ 179,764
Grants	131,106	-	131,106
Special events - net	87,992	55,086	143,078
In-kind contributions	199,400	-	199,400
Program fees	367,774	-	367,774
Other	78,130	-	78,130
Interest	506	5	511
Merchandise sales - net	2,282	-	2,282
Net assets released from restriction	104,038	(104,038)	-
Total support and revenue	1,064,071	37,974	1,102,045
Expenses			
Program services	741,514	-	741,514
Management and general	93,222	-	93,222
Fundraising	83,891	-	83,891
Total expenses	918,627	-	918,627
Change in net assets	145,444	37,974	183,418
Net assets - beginning of year	291,089	594,683	885,772
Net assets - end of year	\$ 436,533	\$ 632,657	\$ 1,069,190

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

Dream Catchers

Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 1,785	\$ -	\$ -	\$ 1,785
Accounting fees	7,043	2,347	-	9,390
Bank service and credit card fees	4,211	-	4,211	8,422
Conference and meetings	577	64	-	641
Depreciation	47,485	2,499	-	49,984
Donor development supplies	-	-	8,018	8,018
Dues and subscriptions	2,543	-	-	2,543
Education workshops	12,363	-	-	12,363
Employee benefits	10,585	3,024	1,513	15,122
Equine assisted activities and therapies	33,019	-	-	33,019
Horse care	135,326	-	-	135,326
Information technology	9,392	1,174	1,174	11,740
Interest	4,752	-	-	4,752
Insurance	20,152	2,519	2,519	25,190
Miscellaneous	5,744	718	718	7,180
Office	9,207	511	511	10,229
Payroll taxes	23,666	2,559	4,386	30,611
Professional fees	-	41,003	-	41,003
Repairs and maintenance	16,418	1,756	-	18,174
Salaries and wages	367,427	33,446	57,336	458,209
Tack	3,188	-	451	3,639
Travel	674	75	-	749
Utilities	25,957	1,527	3,054	30,538
	<u>\$ 741,514</u>	<u>\$ 93,222</u>	<u>\$ 83,891</u>	<u>\$ 918,627</u>

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

Dream Catchers

Statement of Cash Flows

For the Year Ended June 30, 2024

Cash flows from operating activities

Change in net assets	\$ 183,418
Adjustments to reconcile to net cash from operating activities:	
Depreciation	49,984
In-kind donations	(199,400)
Change in assets and liabilities:	
Accounts receivable	9,020
Receivable - other	86,740
Inventory	(3,931)
Prepaid expenses	(33)
Accounts payable	7,728
Accrued payroll	60,636
Deferred revenue	540
Net cash from operating activities	<u>194,702</u>

Cash flows from investing activities

Purchases of property and equipment	(18,899)
Net change in other asset - endowment	19,995
Net cash from investing activities	<u>1,096</u>

Net change in cash and cash equivalents 195,798

Cash and cash equivalents - beginning of year 533,477

Cash and cash equivalents - end of year \$ 729,275

Supplemental cash flow information

Cash paid for interest \$ 4,752

Supplemental disclosure of noncash activities

In-kind contributions for donated land \$ 199,400

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

Dream Catchers

Notes to Financial Statements

June 30, 2024

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, 2024, the banks' collected balances exceeded FDIC coverage by \$183,467.

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. Annually, the Organization's management reviews its accounts receivable for an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's type of receivables have remained constant from year to year. In management's opinion, no allowance for credit losses is necessary as accounts receivable are considered fully collectible at June 30, 2024.

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, 2024. Fiscal years ending on or after June 30, 2021, 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 \$199,400 for land 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 \$1,785 for 2024.

Accrued Payroll

At June 30, 2024, accrued payroll includes \$113,846 of deferred salary for the executive director. Management's plan is to pay the deferred salary balance in fiscal year 2025 as the Organization's projected cash flows continue to improve.

Recently Adopted Accounting Standards

In June 2016, the FASB issued guidance *Financial Instruments – Credit Losses* (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through a change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 27, 2024, 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, 2024 were \$1,464.

4. Property and Equipment

Property and equipment consist of the following:

Machinery and equipment	\$ 193,176
Furniture and fixtures	56,431
Buildings	1,058,027
Land improvements	186,536
Land	199,400
Software	12,166
Horses	52,680
	<hr/>
	1,758,416
Less - accumulated depreciation	(1,264,965)
	<hr/>
	\$ 493,451

Depreciation expense for 2024 was \$49,984.

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, 2024 was \$15,650.

6. Note Payable to Bank

The Organization has available a \$50,000 unsecured line of credit demand note payable with Chesapeake Bank. Interest is charged at the Wall Street Journal prime rate plus 1% (9.5% at June 30, 2024). At June 30, 2024, the balance on the note was \$49,500. Interest expense on the line of credit for 2024 was \$4,752.

7. Special Events

The Organization hosted several fundraising events during 2024. Revenue and expenses related to such events are as follows:

Special events revenue	\$ 231,889
Less - direct costs of special events	<u>(88,811)</u>
Special events - net	<u>\$ 143,078</u>

8. 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 held the land until May 2024 at which time the land conveyed to the Organization. The land's assessed value was \$199,400.

9. Net Assets With Donor Restrictions

Net assets were restricted for the following purposes at June 30, 2024:

	July 1, 2023	Contributions With Donor Restrictions	Restrictions Released	June 30, 2024
For specific purpose:				
Scholarships	\$ 4,684	\$ 750	\$ -	\$ 5,434
Capital	468,835	60,916	(27,076)	502,675
Other	4,851	3,529	(4,303)	4,077
At Risk Youth	2,573	-	(2,573)	-
Dream Rider	50,086	76,814	(50,086)	76,814
Endowment - investment income	19	3	-	22
	<u>531,048</u>	<u>142,012</u>	<u>(84,038)</u>	<u>589,022</u>
Not subject to expenditure:				
Investment in perpetuity	63,635	-	(20,000)	43,635
	<u>\$ 594,683</u>	<u>\$ 142,012</u>	<u>\$ (104,038)</u>	<u>\$ 632,657</u>

10. 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. Over the years, the Board has designated amounts to contribute to 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. In 2024, the Board approved to withdrawal \$20,000 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, 2024:

	With Donor Restrictions
Endowment fund - June 30, 2023	\$ 63,654
Investment return - net	5
Contributions	-
Withdrawal	(20,000)
Endowment fund - June 30, 2024	<u>\$ 43,659</u>

11. Liquidity and Availability

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

Cash and cash equivalents	\$	728,514
Accounts receivable		15,350
Less - donor restricted funds (less endowment)		(588,998)
	\$	<u>154,866</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 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 \$145,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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.

13. Employee Retention Credit

In 2024, the Organization determined it was eligible for an additional Employee Retention Credit (ERC) under the CARES Act and filed for the refund of this credit. In fiscal year 2024, the Organization received \$71,219 of refund due on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return for the quarter ended March 31, 2021, plus interest. The total ERC amount has been included in other support and revenue on the statement of activities. 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.

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