

**Financial Statements**  
**Year Ended**  
**June 30, 2019**



## *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, 2019, 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, 2019, 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*

July 26, 2019

Expertise ~ Attention ~ Agility

*Dream Catchers*

*Statement of Financial Position*

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June 30, 2019

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 324,523
Accounts receivable	24,735
Prepaid expenses	18,237
Inventory	2,437

**Total current assets** 369,932

**Property and equipment - net** 402,632

**Cash and cash equivalents - endowment** 10,501

**\$ 783,065**

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 7,898
Accrued payroll	11,634
Accrued vacation	2,685
Deferred revenue	14,904

**Total current liabilities** 37,121

**Net assets**

Without donor restrictions:	
Board-designated endowment	1
Undesignated	577,846

**Total without donor restrictions** 577,847

With donor restrictions:	
Restricted in perpetuity	10,500
Restricted by purpose	157,597

**Total with donor restrictions** 168,097

**Total net assets** 745,944

**\$ 783,065**

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

## *Dream Catchers*

### *Statement of Activities and Net Assets*

**Year Ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenue</b>			
Support:			
Contributions	\$ 153,041	\$ 775	\$ 153,816
Special events - net	138,771	56,725	195,496
Grants	97,917	78,284	176,201
In-kind contributions	21,104	-	21,104
Net assets released from restriction	122,884	(122,884)	-
<b>Total support</b>	<b>533,717</b>	<b>12,900</b>	<b>546,617</b>
Revenue:			
Program fees	204,843	-	204,843
Miscellaneous	6,375	-	6,375
Loss on disposal of property and equipment	(5,961)	-	(5,961)
Interest	268	-	268
Merchandise sales - net	1,626	-	1,626
<b>Total revenue</b>	<b>207,151</b>	<b>-</b>	<b>207,151</b>
<b>Total support and revenue</b>	<b>740,868</b>	<b>12,900</b>	<b>753,768</b>
Expenses			
Program services	611,364	-	611,364
Management and general	100,200	-	100,200
Fundraising	63,907	-	63,907
<b>Total expenses</b>	<b>775,471</b>	<b>-</b>	<b>775,471</b>
<b>Change in net assets</b>	<b>(34,603)</b>	<b>12,900</b>	<b>(21,703)</b>
<b>Net assets - beginning of year</b>	<b>612,450</b>	<b>155,197</b>	<b>767,647</b>
<b>Net assets - end of year</b>	<b>\$ 577,847</b>	<b>\$ 168,097</b>	<b>\$ 745,944</b>

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

## *Dream Catchers*

### *Statement of Functional Expenses*

**Year Ended June 30, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Accounting fees	\$ 7,020	\$ 780	\$ -	\$ 7,800
Advertising	125	-	-	125
Bank and credit card fees	4,671	-	4,671	9,342
Board meetings	-	1,404	-	1,404
Conference and meetings	680	76	-	756
Depreciation	75,081	3,952	-	79,033
Donor development	-	-	5,806	5,806
Dues and subscriptions	2,768	-	-	2,768
Employee benefits	27,467	7,848	3,924	39,239
Horse care	58,840	-	-	58,840
Information technology	5,350	594	-	5,944
Insurance	29,177	3,242	-	32,419
Miscellaneous	4,972	555	-	5,527
Office expenses	18,211	958	958	20,127
Payroll taxes	22,239	4,081	3,193	29,513
Printing and postage	-	-	1,320	1,320
Professional fees	4,487	20,403	1,505	26,395
Program services expenses - other	25,681	-	-	25,681
Repairs and maintenance	15,801	1,756	-	17,557
Salaries and wages	287,260	53,347	41,735	382,342
Tack expense	1,330	-	795	2,125
Travel	2,414	268	-	2,682
Utilities	17,790	936	-	18,726
<b>Total</b>	<b>\$ 611,364</b>	<b>\$ 100,200</b>	<b>\$ 63,907</b>	<b>\$ 775,471</b>

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

## *Dream Catchers*

### *Statement of Cash Flows*

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**Year Ended June 30, 2019**

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**Cash flows from operating activities**

Change in net assets:	\$ (21,703)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	79,033
Loss on disposal of property and equipment	5,961
In-kind contributions for donated property and equipment	(20,027)
Change in assets and liabilities:	
Accounts receivable	(10,457)
Prepaid expenses	(440)
Inventory	168
Accounts payable	105
Accrued payroll	(4,483)
Deferred revenue	8,224

**Net cash from operating activities** 36,381

**Cash flows from investing activities**

Purchases of property and equipment	<u>(13,590)</u>
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**Net change in cash and cash equivalents** 22,791

**Cash and cash equivalents - beginning of year** 301,732

**Cash and cash equivalents - end of year** \$ 324,523

**Supplemental disclosure of noncash activities**

In-kind contributions received other than for donated property and equipment	\$ 1,077
In-kind contributions for donated property and equipment	\$ 20,027

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

## *Dream Catchers*

### *Notes to Financial Statements*

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June 30, 2019

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#### 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**

In 2019, the Organization adopted ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to improve net asset classification requirements and the information presented in the financial statements and notes about a non-profit's liquidity.

The standard requires the Organization to reclassify its net assets from three categories (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. In addition, the guidance requires enhanced disclosures about governing board designations, composition of net assets with donor restrictions, the Organization's liquidity, and expenses by both their natural and functional classification.

The Organization reports information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions.

The classes of net assets are described as follows:

- **Without Donor Restrictions** - Those resources not subject to donor-imposed restrictions. 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.

##### **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, 2019, 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, 2019.

## **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:

	<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, 2019. Fiscal years ending on or after June 30, 2016, 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 \$20,027 for donated property and equipment have been included in total support on the statement of activities and net assets.

Contributed supplies for the Organization of \$1,077 have been reflected in 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 Organization allocates its expenses, on a functional basis, among its various programs and supporting services. Expenses that relate to a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated statistically.

## **Advertising**

Advertising costs are expensed as incurred and were \$125 for 2019.

### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 26, 2019, 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 for 2019. Prepaid expenses at June 30, 2019 were \$18,237.

### 4. Property and Equipment

Property and equipment consist of the following:

Machinery and equipment	\$ 114,187
Furniture and fixtures	7,432
Buildings	1,041,899
Land improvements	186,536
Software	12,166
Horses	11,450
	<hr/>
	1,373,670
Less - accumulated depreciation	(971,038)
	<hr/>
	\$ 402,632

Depreciation expense for 2019 was \$79,033.

### 5. Deferred Revenue

Deferred revenue consists of monies received in advance for summer camps and sessions and which relate to the upcoming fiscal year. Deferred revenue at June 30, 2019 was \$14,904.

### 6. Special Events

The Organization hosted several fundraising events during 2019. Revenue and expenses related to such events are as follows:

Special events revenue	\$ 282,424
Less - direct costs of special events	(86,928)
Special events - net	<hr/>
	\$ 195,496

**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, 2019:

For specific purpose:	July 1, 2018	Contributions With Donor Restrictions	Restrictions Released	June 30, 2019
Scholarships	\$ 110,319	\$ 60,000	\$ (109,526)	\$ 60,793
Capital	5,870	64,305	-	70,175
Other	6,114	1,279	-	7,393
Kids N Grief	3,500	10,200	(3,500)	10,200
At Risk Youth	16,500	-	(9,858)	6,642
Youth Philanthropy	2,394	-	-	2,394
	<u>144,697</u>	<u>135,784</u>	<u>(122,884)</u>	<u>157,597</u>
Not subject to expenditure: Endowment - original gift amount	10,500	-	-	10,500
	<u>\$ 155,197</u>	<u>\$ 135,784</u>	<u>\$ (122,884)</u>	<u>\$ 168,097</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 is still developing the investment and spending policies. In 2019, 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, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment fund	\$ 1	\$ -	\$ 1
Donor-restricted endowment fund:			
Original donor-restricted gift amount	-	10,500	10,500
	<u>\$ 1</u>	<u>\$ 10,500</u>	<u>\$ 10,501</u>

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Net Endowment Assets</b>
Endowment net assets - June 30, 2018	\$ -	\$ 10,500	\$ 10,500
Investment return - net	1	-	1
Endowment net assets - June 30, 2019	<u>\$ 1</u>	<u>\$ 10,500</u>	<u>\$ 10,501</u>

## 10. 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.

## **11. Liquidity and Availability**

The Organization has approximately \$191,500 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 \$130,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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