

THE DALMATIAN DREAMS FOUNDATION
dba DREAM FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2023

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

200 E. Carrillo Street, Suite 300, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Dalmatian Dreams Foundation dba Dream Foundation
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of The Dalmatian Dreams Foundation dba Dream Foundation (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 The Dalmatian Dreams Foundation dba Dream Foundation as of December 31, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Dalmatian Dreams Foundation dba Dream Foundation 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 The Dalmatian Dreams Foundation dba Dream Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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 The Dalmatian Dreams Foundation dba Dream Foundation's 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 The Dalmatian Dreams Foundation dba Dream Foundation's 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.

Report on Summarized Comparative Information

We have previously audited the The Dalmatian Dreams Foundation dba Dream Foundation's December 31, 2022, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated May 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California
July 29, 2024

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2023
(With Comparative Totals for December 31, 2022)

ASSETS				
	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 43,947	\$ 400,541	\$ 444,488	\$ 425,363
Other receivable	-	-	-	913
Pledges and grants receivable	-	30,000	30,000	55,000
Prepaid expenses and deposits	930	-	930	4,430
	<u>44,877</u>	<u>430,541</u>	<u>475,418</u>	<u>485,706</u>
Total Current Assets				
	<u>44,877</u>	<u>430,541</u>	<u>475,418</u>	<u>485,706</u>
INVESTMENTS	<u>-</u>	<u>1,089,890</u>	<u>1,089,890</u>	<u>-</u>
PROPERTY AND EQUIPMENT				
Furniture	147,462	-	147,462	147,462
Equipment	45,403	-	45,403	44,105
Vehicle	47,588	-	47,588	47,588
	<u>240,453</u>	<u>-</u>	<u>240,453</u>	<u>239,155</u>
Less: Accumulated depreciation	<u>(231,165)</u>	<u>-</u>	<u>(231,165)</u>	<u>(226,730)</u>
Net Property and Equipment	<u>9,288</u>	<u>-</u>	<u>9,288</u>	<u>12,425</u>
OTHER ASSETS				
Donated airline mileage	205,541	-	205,541	260,773
Due from other funds	-	442,197	442,197	442,197
	<u>205,541</u>	<u>442,197</u>	<u>647,738</u>	<u>702,970</u>
Total Other Assets				
	<u>205,541</u>	<u>442,197</u>	<u>647,738</u>	<u>702,970</u>
TOTAL ASSETS	<u>\$ 259,706</u>	<u>\$ 1,962,628</u>	<u>\$ 2,222,334</u>	<u>\$ 1,201,101</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 124,224	\$ -	\$ 124,224	\$ 100,156
Note payable, current	<u>33,000</u>	<u>-</u>	<u>33,000</u>	<u>33,000</u>
Total Current Liabilities	<u>157,224</u>	<u>-</u>	<u>157,224</u>	<u>133,156</u>
OTHER LIABILITIES				
Note payable	33,000	-	33,000	101,854
Due to other funds	<u>442,197</u>	<u>-</u>	<u>442,197</u>	<u>442,197</u>
Total Other Liabilities	<u>475,197</u>	<u>-</u>	<u>475,197</u>	<u>544,051</u>
TOTAL LIABILITIES	<u>632,421</u>	<u>-</u>	<u>632,421</u>	<u>677,207</u>
NET ASSETS				
Without donor restrictions				
Operating profit (deficit)	(382,003)	-	(382,003)	(300,728)
Property and equipment, net	<u>9,288</u>	<u>-</u>	<u>9,288</u>	<u>12,425</u>
Total without donor restrictions	<u>(372,715)</u>	<u>-</u>	<u>(372,715)</u>	<u>(288,303)</u>
With donor restrictions	<u>-</u>	<u>1,962,628</u>	<u>1,962,628</u>	<u>812,197</u>
Total Net Assets	<u>(372,715)</u>	<u>1,962,628</u>	<u>1,589,913</u>	<u>523,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 259,706</u>	<u>\$ 1,962,628</u>	<u>\$ 2,222,334</u>	<u>\$ 1,201,101</u>

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE, GAINS AND OTHER SUPPORT				
Donations and grants - general	\$ 642,002	\$ 1,165,000	\$ 1,807,002	\$ 699,619
Donations and grants - corporate	223,600	365,000	588,600	498,809
Non-cash contributions (in-kind)	902,350	-	902,350	1,184,234
Special events (net of expenses of \$81,006 and \$225,739)	189,661	-	189,661	203,823
Investment income (net of expenses of \$2,807 and \$0)	858	89,611	90,469	10,716
Net assets released from restrictions	<u>469,180</u>	<u>(469,180)</u>	<u>-</u>	<u>-</u>
 Total Revenue, Gains and Other Support	 <u>2,427,651</u>	 <u>1,150,431</u>	 <u>3,578,082</u>	 <u>2,597,201</u>
 EXPENSES				
Program services:				
Cash	1,212,156	-	1,212,156	1,385,220
Non-cash (in-kind)	<u>899,035</u>	<u>-</u>	<u>899,035</u>	<u>1,214,419</u>
Total Program Services	<u>2,111,191</u>	<u>-</u>	<u>2,111,191</u>	<u>2,599,639</u>
Support services:				
Management and general - cash	176,296	-	176,296	195,952
Management and general - non-cash (in-kind)	11,347	-	11,347	19,181
Fundraising - cash	201,882	-	201,882	225,448
Fundraising - non-cash (in-kind)	<u>11,347</u>	<u>-</u>	<u>11,347</u>	<u>19,181</u>
Total Support Services	<u>400,872</u>	<u>-</u>	<u>400,872</u>	<u>459,762</u>
 Total Expenses	 <u>2,512,063</u>	 <u>-</u>	 <u>2,512,063</u>	 <u>3,059,401</u>
 CHANGE IN NET ASSETS	 (84,412)	 1,150,431	 1,066,019	 (462,200)
 NET ASSETS, BEGINNING OF YEAR	 <u>(288,303)</u>	 <u>812,197</u>	 <u>523,894</u>	 <u>986,094</u>
 NET ASSETS, END OF YEAR	 <u>\$ (372,715)</u>	 <u>\$ 1,962,628</u>	 <u>\$ 1,589,913</u>	 <u>\$ 523,894</u>

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

EXPENSES	Program Services		Support Services				2023 Total	2022 Total
	Cash	Non-Cash	Management and General		Fundraising			
			Cash	Non-Cash	Cash	Non-Cash		
Dreams and direct program expense	\$ 266,729	\$ 846,080	\$ -	\$ -	\$ -	\$ -	\$ 1,112,809	\$ 1,387,350
Salary	433,971	-	100,000	-	133,463	-	667,434	729,803
Benefits	103,074	-	23,787	-	31,715	-	158,576	151,884
Professional fees	174,125	26,783	23,923	5,739	88,060	5,739	324,369	549,043
Travel, seminars, and retreats	22,746	-	1,171	-	1,171	-	25,088	37,525
Rent	40,182	26,172	8,029	5,608	8,029	5,608	93,628	105,154
Telephone and video	16,433	-	3,341	-	3,341	-	23,115	23,621
Printing and reproduction	9,673	-	546	-	2,146	-	12,365	29,328
Supplies	13,352	-	2,745	-	2,505	-	18,602	154,488
Depreciation	4,435	-	-	-	-	-	4,435	4,526
Utilities	30,754	-	6,590	-	6,590	-	43,934	34,937
Postage and delivery	12,162	-	1,042	-	1,179	-	14,383	21,019
Repairs and maintenance	7,227	-	1,440	-	1,440	-	10,107	10,975
Public awareness	58,657	-	-	-	-	-	58,657	13,965
Interest expense	-	-	-	-	-	-	-	7,032
Bank and credit card fees	12,137	-	2,383	-	1,949	-	16,469	16,381
Insurance	6,064	-	1,299	-	1,300	-	8,663	8,098
Volunteer and sponsor recognition	435	-	-	-	-	-	435	11
2023 Total Expenses by Function	\$ 1,212,156	\$ 899,035	\$ 176,296	\$ 11,347	\$ 282,888	\$ 11,347	\$ 2,593,069	\$ 3,285,140
Less expenses included with revenues on the statement of activities								
Special event direct expenses	-	-	-	-	(81,006)	-	(81,006)	(225,739)
2023 TOTAL EXPENSES	\$ 1,212,156	\$ 899,035	\$ 176,296	\$ 11,347	\$ 201,882	\$ 11,347	\$ 2,512,063	
	85%		7%		8%			
2022 TOTAL EXPENSES	\$ 1,385,220	\$ 1,214,419	\$ 195,952	\$ 19,181	\$ 225,448	\$ 19,181		\$ 3,059,401

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,066,019	\$ (462,200)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,435	4,526
Debt forgiveness	(35,854)	-
Unrealized gain on value of securities	(75,779)	-
Realized gain on sale of securities	(1,362)	-
(Increase) decrease in:		
Other receivable	913	242,040
Pledges receivable	25,000	26,000
Deposits	3,500	1,500
Donated airline mileage	55,232	68,547
Increase (decrease) in accounts payable and accrued liabilities	<u>24,068</u>	<u>(7,409)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,066,172</u>	<u>(126,996)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,298)	(1,610)
Purchase of securities	(1,062,312)	-
Proceeds from sale of securities	<u>49,563</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,014,047)</u>	<u>(1,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>(33,000)</u>	<u>(23,570)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(33,000)</u>	<u>(23,570)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,125	(152,176)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>425,363</u>	<u>577,539</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 444,488</u>	<u>\$ 425,363</u>

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

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

The Dalmatian Dreams Foundation dba Dream Foundation (the Organization) began in July, 1994, as a project implemented by Access Theatre. The Organization was granted independent 501(c)(3) status from the Internal Revenue Service in 1996. The Organization's fictitious business name statement (Dream Foundation) was filed on September 3, 1998. The purpose of the Organization is to grant wishes to adults in the United States whose clinical life expectancy is less than one year, and whose limited resources leave them unable to manifest such dreams for themselves.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Receivable

Other receivable consists of various receivables related to operations and are considered fully collectible.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year.

Significant estimates used in the preparation of these financial statements include: allocation of certain expenses by function, fair value of donated in-kind contributions, fair value of donated airline miles, fair value of limited partnership interest, and depreciable lives of property and equipment.

Contributions

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

The Organization solicits donations of items to be sold at auction or various fundraising events. The Organization has adopted the policy of recording these gifts in-kind at their estimated fair market value on the date of donation.

Donated Airline Mileage

Airline mileage is donated by individuals to support the programs of the Organization. Airline companies have stipulated a value of four cents per mile, which is recorded in the Organization's books as a contribution when received and an expense when used. Unused mileage at December 31, 2023, is recorded as donated airline mileage on the statement of financial position.

Donated Services

Some individuals and organizations have donated time to the Organization to further its programs and objectives. Donated items are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. Donated services, which meet certain authoritative criteria and can be objectively valued, have also been reflected as contributions in-kind in the accompanying statements.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture	7 years
Equipment	5 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2023, totaled \$4,435.

Leases

The Organization has previously adopted FASB ASC 842, Leases. For the year ended December 31, 2023, the Organization had no noncancellable operating or finance leases.

Further, the Organization elected a short-term lease exception policy, permitting the Organization to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2023, the Organization had no uncertain tax positions requiring accrual.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status (continued)

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2020 and 2019, respectively.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Comparative Amounts

The amounts shown for 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation of the 2022 financial statements in conformity with accounting principles generally accepted in the United States of America.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give represent pledges with donor restrictions of \$30,000, all of which is expected to be collected in 2024. At December 31, 2023, these amounts are considered fully collectible and therefore no allowance for uncollectible promises to give has been recorded.

Note 4 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2023, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Cash	\$ 22,923	\$ 22,923	\$ -
Fixed income	575,216	597,202	21,986
Equities	<u>415,972</u>	<u>469,765</u>	<u>53,793</u>
Total Investments	<u>\$ 1,014,111</u>	<u>\$ 1,089,890</u>	<u>\$ 75,779</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 1,014,111	\$ 1,089,890	\$ 75,779
Balance at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
Net change in unrealized gain			<u>\$ 75,779</u>

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4 – INVESTMENTS (continued)

The following schedule summarizes the investment income in the statement of activities for the year ended December 31, 2023:

Dividends and interest	\$	16,135
Net unrealized gain		75,779
Net realized gain		1,362
Investment fees		<u>(2,807)</u>
Investment income	\$	<u>90,469</u>

Note 5 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using a pricing model of quoted prices of securities with similar characteristics or discounted cash flows. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair market valuation of Level 3 securities is based on estimates of management, information valuation methods used within a particular industry, or other market factors to determine if the carrying value of these investments should be adjusted. Because of the inherent uncertainty of valuations, however, the estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT (continued)

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

Cash held for investment – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.

Fixed income – Corporate bonds and bond funds provide a hedge against deflation, provide a stable return, and to minimize the overall volatility of the account. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date or through the use of pricing models or other valuation methodologies for fixed income securities not actively traded.

Equities – Equities include a variety of publicly traded stocks and mutual funds from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

The Organization recognizes transfers between the levels in the fair value hierarchy at the end of the reporting period. There were no transfers between the levels during the year ended December 31, 2023.

The following table presents assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at December 31, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 22,923	\$ -	\$ -	\$ 22,923
Fixed income Domestic	597,202	-	-	597,202
Equities:				
Domestic Large Cap	355,462	-	-	355,462
Domestic Mid Cap	34,443	-	-	34,443
Domestic Small Cap	23,873	-	-	23,873
International Developed	<u>55,987</u>	<u>-</u>	<u>-</u>	<u>55,987</u>
Total equities	<u>469,765</u>	<u>-</u>	<u>-</u>	<u>469,765</u>
Total assets measured at fair value	<u>\$ 1,089,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,890</u>

Note 6 – LEASES

The Organization leases office space in Santa Barbara, California. The term of the original lease was for five years, beginning December 2016, and ending December 2021 at \$4,550 monthly. The lease has not been extended and is considered month-to-month. In addition, the Organization received in-kind rent valued at \$37,388 for the year ended December 31, 2023, for the Santa Barbara office.

Total rent expense, inclusive of related parking, storage, and common area expenses allocations, for the Organization was \$93,628 for the year ended December 31, 2023.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 7 – ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, with the explicit prohibition by the donor, as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are available for appropriation are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

Interpretation of Relevant Law (continued)

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest 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
- (7) The investment policies of the Organization

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods.

The Organization's goal is for the endowment assets to be invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

Endowment net assets with donor restrictions totaled \$1,532,087, consisting of total original gift endowment contributions of \$1,442,197 and accumulated earnings of \$89,890 as of December 31, 2023.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8 – NOTE PAYABLE

Effective May 9, 2018, the Organization converted a deferred grant into a note payable in the amount of \$278,854. The agreement called for interest payments only, due monthly at Prime Rate with principal payments due quarterly that are equal to one-half of qualifying donations received the preceding quarter. Principal balance was due in full as of December 31, 2018. The outstanding principal at December 31, 2018 was \$278,854.

Effective January 15, 2019, the agreement was amended and calls for a principal payment of \$25,000 within ten days of the new agreement date and \$2,000 monthly principal payments effective February 1, 2019, and all unpaid principal due December 31, 2019. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2019, was \$229,854.

Effective January 8, 2020, the note payable was extended to December 31, 2020, with all other payment terms unchanged.

Effective January 1, 2021, the agreement was amended and calls for a \$2,000 monthly principal payment effective February 26, 2021, and all unpaid principal due December 31, 2021. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2020, was \$182,854.

Effective January 1, 2022, the agreement was amended and calls for a \$2,000 monthly principal payment effective January 5, 2022, and all unpaid principal due December 31, 2022. Interest payments remain the same as the original note payable agreement. The outstanding balance at December 31, 2021, was \$158,424.

Effective January 1, 2023, the agreement was amended and calls for a \$2,750 monthly principal payment effective January 31, 2023, and all unpaid principal due December 31, 2025. Interest payments remain the same as the original note payable agreement. Also, effective January 1, 2023, the outstanding loan balance was reduced to \$99,000 and the interest rate was reduced to zero, resulting in debt forgiveness of \$35,854 for the year ended December 31, 2023. The outstanding balance at December 31, 2023, was \$66,000.

Note 9 – CONCENTRATIONS AND MARKET RISK

Concentration of Revenue

For the year ended December 31, 2023, approximately 75% of the corporate donation and grants revenue was from two donors.

Credit Risk

The Organization maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2023, uninsured cash and cash equivalent balances totaled approximately \$221,000.

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restrictions as specified by donors. For the year ended December 31, 2023, the purpose and passage of time restrictions resulted in net assets released from restrictions of \$559,070.

Note 11 – RETIREMENT PLANS

The Organization provides a Simplified Employee Pension Individual Retirement Account (SEP IRA) employer sponsored plan. An employee over 21 years old who has worked for the Organization for three consecutive years and has made at least \$400 during the prior calendar year is eligible to participate in the Plan. Once an employee is eligible, they are immediately 100% vested. The Organization makes a percentage contribution of employee compensation to be determined on an annual basis by approval of the board of directors. The Organization did not make contributions for the year ended December 31, 2023.

The Organization also offers an employee elective-deferral plan under Internal Revenue Code 403(b). Any full or part-time employee is eligible to participate in the Plan. The minimum contribution amount in order to participate in the Plan is \$50 per month. An employee may borrow up to 50% of their account balance with a minimum loan of \$1,000.

Note 12 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2023:

Current assets	
Cash and cash equivalents available within one year	\$ 444,488
Pledges, grants and other receivable	<u>30,000</u>
Total Current Assets	<u>474,488</u>
Investments	1,089,890
Less, investments unavailable for general expenditures within one year:	<u>(1,046,295)</u>
Total Investments	<u>43,595</u>
Current liabilities	<u>(157,224)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2023	<u>\$ 360,859</u>

THE DALMATIAN DREAMS FOUNDATION dba DREAM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 12 – LIQUIDITY (continued)

As part of the liquidity management plan, the Organization has budgeted for reduced overhead expenditures. Funds are expected to be received from donations and grants and special events. These funds combined with available funds are expected to meet the amounts needed to fund the Organization's operations for 2024.

Note 13 – RECLASSIFICATION

Certain amounts from the December 31, 2022, financial statements have been reclassified to conform to the December 31, 2023, financial statement presentation.

Note 14 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2023, net assets without donor restrictions consist of the following:

Operating deficit	\$ (587,544)
Property and equipment, net	9,288
Donated airline mileage (illiquid)	<u>205,541</u>
Total Net Assets Deficit Without Donor Restrictions	<u>\$ (372,715)</u>

Net Assets With Donor Restrictions

As of December 31, 2023, net assets with donor restrictions consist of the following:

Restricted for fulfillment of dreams	\$ 75,541
Restricted due to passage of time	355,000
Donor-restricted endowments	1,089,890
Donor-restricted endowments – due from other funds	<u>442,197</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,962,628</u>

Note 15 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 29, 2024, the date which the financial statements were available to be issued. Management has determined no subsequent events requiring disclosure or significantly impacting disclosure have occurred.