

**I HAVE A DREAM FOUNDATION
- COLORADO**

FINANCIAL STATEMENTS

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JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
I Have a Dream Foundation - Colorado
Denver, Colorado

We have audited the accompanying financial statements of I Have a Dream Foundation - Colorado (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activity and changes in net assets 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.

Auditor's 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 of 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 I Have a Dream Foundation - Colorado as of June 30, 2020 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Davis + Co., CPAs, P.C.

Highlands Ranch, Colorado
January 29, 2021

I HAVE A DREAM FOUNDATION - COLORADO

Statement of Financial Position

June 30, 2020

(With Comparative Totals for 2019)

	<u>Without Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 498,380	\$ 11,093	\$ 509,473	\$ 495,422
Prepaid expenses & deposits	<u>2,739</u>	<u>---</u>	<u>2,739</u>	<u>12,540</u>
	501,119	11,093	512,212	507,962
Investments, at fair value	124,679	975,792	1,100,471	1,412,247
Furniture, equipment & vehicles, at cost	111,903	---	111,903	111,903
Less: accumulated depreciation	<u>(101,403)</u>	<u>---</u>	<u>(101,403)</u>	<u>(94,403)</u>
	<u>10,500</u>	<u>---</u>	<u>10,500</u>	<u>17,500</u>
	<u>\$636,298</u>	<u>\$986,885</u>	<u>\$1,623,183</u>	<u>\$1,937,709</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 3,255	\$ --	\$ 3,255	\$ 975
Federal PPP loan	231,700	---	231,700	---
Accrued compensated absences	<u>44,326</u>	<u>---</u>	<u>44,326</u>	<u>8,466</u>
	279,281	---	279,281	9,441
Net assets	<u>357,017</u>	<u>986,885</u>	<u>1,343,902</u>	<u>1,928,268</u>
	<u>\$636,298</u>	<u>\$986,885</u>	<u>\$1,623,183</u>	<u>\$1,937,709</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO
Statement of Activity and Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>Without Restrictions</u>	<u>With Donor Restrictions</u>	<u>Year ended 6/30/2020</u>	<u>Year ended 6/30/2019</u>
SUPPORT AND REVENUE				
Direct & indirect contributions	\$ 224,104	\$ 61,693	\$ 285,797	\$ 826,679
Foundations & corporations	472,809	90,897	563,706	697,104
Government grants	60,000	--	60,000	98,000
Special events, net	318,201	--	318,201	350,708
In-kind contributions	15,800	--	15,800	140,000
Investment income realized	28,292	17,201	45,493	108,689
Unrealized gains (losses)	<u>(24,212)</u>	<u>(15,619)</u>	<u>(39,831)</u>	<u>(39,305)</u>
	1,094,994	154,172	1,249,166	2,181,875
Net assets released by the passage of time or satisfaction of program restrictions	<u>733,958</u>	<u>(733,958)</u>	<u>--</u>	<u>--</u>
Total public support and revenue	1,828,952	(579,786)	1,249,166	2,181,875
FUNCTIONAL EXPENSES				
Program services:				
Dreamer's classes & school	1,573,198		1,573,198	1,771,204
Supporting services:				
Management & general	164,190		164,190	136,404
Financial development	<u>96,144</u>		<u>96,144</u>	<u>120,672</u>
	<u>260,334</u>		<u>260,334</u>	<u>257,076</u>
Total functional expenses	<u>1,833,532</u>		<u>1,833,532</u>	<u>2,028,280</u>
CHANGE IN NET ASSETS	(4,580)	(579,786)	(584,366)	153,595
Net assets, beginning of period	<u>361,597</u>	<u>1,566,671</u>	<u>1,928,268</u>	<u>1,774,673</u>
Net assets, end of period	<u>\$357,017</u>	<u>\$986,885</u>	<u>\$1,343,902</u>	<u>\$1,928,268</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO

Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Supporting Services			Total	Year ended June 30, 2020	Year ended June 30, 2019
	Program Services - Dreamers	General and Administrative	Financial Development			
Personnel expenses	\$ 1,078,387	\$ 85,781	\$ 61,272	\$ 147,053	\$ 1,225,440	\$ 1,230,440
In-kind contributed expenses	15,800	--	--	--	15,800	140,000
Scholarships	181,705	--	--	--	181,705	196,077
Student needs, activities & camps	106,989	--	--	--	106,989	161,159
Occupancy costs	42,724	8,544	5,696	14,240	56,964	53,780
Professional services	47,353	52,177	8,118	60,295	107,648	69,109
Travel & transportation	19,495	1,063	710	1,773	21,268	16,775
Telecommunications & internet	22,524	4,504	3,003	7,507	30,031	42,721
Training & development	7,309	1,461	974	2,435	9,744	26,845
Office supplies & expenses	5,564	1,113	742	1,855	7,419	11,187
Advertising & promotion	--	--	11,760	11,760	11,760	11,835
Dues, licenses & subscriptions	21,380	4,275	2,850	7,125	28,505	38,875
Meetings & conferences	--	2,868	--	2,868	2,868	3,231
Insurance costs	17,843	1,529	1,019	2,548	20,391	19,246
Depreciation expense	<u>6,125</u>	<u>875</u>	<u>--</u>	<u>875</u>	<u>7,000</u>	<u>7,000</u>
Total expenses	<u>\$1,573,198</u>	<u>\$164,190</u>	<u>\$96,144</u>	<u>\$260,334</u>	<u>\$1,833,532</u>	<u>\$2,028,280</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO

Statements of Cash Flows
For the Years Ended June 30, 2020 & 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (584,366)	\$ 153,595
Adjustments to reconcile to net cash provided by operating activities:		
In-kind donated assets	--	--
Unrealized (gains) losses	39,831	39,305
Depreciation	7,000	7,000
Changes in operating assets and liabilities:		
Decrease in prepaid expenses & deposits	9,801	1,579
Increase (decrease) in accounts payable	2,280	(28,070)
Increase (decrease) in accrued compensated absences	<u>35,860</u>	<u>(1,354)</u>
Net cash provided by operating activities	(489,594)	172,055
Cash flow from financing activity – Federal PPP loan	231,700	--
Cash flow from investing activity:		
Net (purchases) of investments	--	(452,417)
Net redemptions of investments	<u>271,945</u>	<u>--</u>
	271,945	(452,417)
CHANGE IN CASH AND CASH EQUIVALENTS	14,051	(280,362)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>495,422</u>	<u>775,784</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$509,473</u>	<u>\$495,422</u>
Supplemental disclosure of cash flow information:		
Cash basis operating activity:		
Interest and dividend income	<u>\$34,501</u>	<u>\$34,192</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies
Significant accounting policies are as follows:

a. Organization

I Have a Dream Foundation – Colorado (the "Foundation") was incorporated under the laws of the State of Colorado on February 29, 1988. The Foundation is a long-term academic, social-emotional, mentorship and career-readiness program for youth who live in economically disadvantaged neighborhoods in Metro Denver or attend schools that have higher-than-average family poverty rates. Over the past 30 years, the Foundation has provided over 1,080 participants (who we affectionately call Dreamers) with a vast array of supports and opportunities that have positively influenced their life trajectory. Our comprehensive one-on-one support and advocacy model provides; mentoring, academic enrichment services, social emotional supports, cultural exploration activities, experiential learning, community service projects, internship and corporate networking experiences, collegiate coaching and tuition assistance for higher education. One of the most critical and beneficial aspects of our program model is the fact that these services are in place for students from kindergarten up-and-through post-secondary pursuits.

We currently support two program models; a 10-year cohort model that provides supports to 143 high school Dreamers who were adopted in 3rd grade, and a recently implemented whole-school model at STRIVE Prep - Ruby Hill that supported 212 Dreamers in grades K-5 during the 2019-2020 academic year. As of the 2018-2019 school year, the Dreamers in the high school cohorts had all graduated and many have either completed or begun post-secondary pursuits which are being supported by the Foundation.

The Foundation partners with the STRIVE Preparatory Network to operate the "whole-school model" at STRIVE Prep - Ruby Hill. The whole-school model, which just completed its sixth full school year, offers Dreamers and their families' year-round on-site wrap-around supports, push-in and one-on-one pull out interventions during the school day, and an After School Extended Day Program during the academic year and summers. Each fall since inception in 2014, STRIVE – Prep Ruby Hill has expanded its student population by enrolling a new kindergarten class. As projected, STRIVE Prep Ruby Hill reached full capacity (grades K-5) in 2018-19.

The Foundation is supported primarily by contributions from individuals, private foundations and corporations.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation follows the provisions of FASB ASC 958 "Financial Statements of Not-for-Profit Organizations". Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Without restrictions – Resources not subject to donor-imposed restrictions

With donor restrictions – Resources subject to donor-imposed

restrictions that will be satisfied either by the actions of the Foundation or the passage of time. (See Note 8)

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted demand and time deposits with maturities of six months or less to be cash equivalents. \$18,502 and \$115,376 of account balances at June 30, 2020 and 2019, respectively, were not fully insured by the Federal Deposits Insurance Corporation. (See Note 1,n)

d. Furniture, equipment and vehicles

Expenditures of \$1,000 or more for long-lived assets that will benefit multiple years are capitalized at either their historical cost or donated fair market value. Annual depreciation expense is calculated using the straight-line method and expected lives of 5 years. Depreciation expense during both 2020 and 2019 was \$7,000.

e. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as restricted support that increases "net assets with donor restrictions." When a donor restriction is satisfied, "net assets with donor restrictions" are reclassified to "net assets without restrictions" and reported in the statement of activities as "net assets released from restrictions". If a donor-imposed restriction is satisfied in the same accounting period that the revenue is received, the Foundation reports the revenue as "without restrictions."

f. Investments

Investments consist of mutual funds and other exchange traded products with a fair market value of \$1,100,471 and cost basis of \$1,097,824 at June 30, 2020. In accordance with accounting principles generally accepted in the United States, these investments are classified by the Foundation as Level 1 (within the three level valuation hierarchy of USGAAP) due to the existence of daily published market quotes for their respective fair market valuation inputs. Investments are subject to market fluctuation and are not insured against loss.

On March 20, 2019 the accounts were moved to a different brokerage firm. During the current year realized investment income and gains amounted to \$45,493 and an unrealized market loss of \$39,831 was incurred.

g. Donated services, supplies and use of space

In-kind donations of the supplies and the use of space are recorded at their fair value in the period received if significant and they would have otherwise been purchased. Qualified 2020 in-kind donations meeting the above criteria and recorded herein by the Foundation are as follows:

<u>Category</u>	<u>Amount</u>
Program & event supplies	<u>\$15,800</u>

In-kind donations of services must require technical skills and be provided by individuals possessing those skills. There were no contributed services meeting these criteria during the current year.

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

h. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Accrued compensated absences

As required by accounting principles generally accepted in the United States of America, the Foundation accrues compensated absences such as vacation when earned. The liability recorded herein as of June 30, 2020 and 2019 was \$44,326 and \$8,466, respectively.

j. Functional expenses

Expenses which can directly be identified with benefitting a program or supporting service functional area are charged to such area. If an expense benefits more than one area, it is allocated based on estimates of the staff time expended or another generally accepted rational basis.

k. Accounts receivable

The Foundation's receivables are due from known sources with which the Foundation is familiar and has a history. Accordingly, management does not believe that a reserve for doubtful accounts is necessary and has elected to use the direct write-off method should a future bad debt materialize, which is infrequent.

l. Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not constitute a presentation in conformity with USGAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

m. Subsequent Events

Management has evaluated subsequent events through January 29, 2021, the date that the auditor's opinion on these financial statements was available to be issued. (See Note 7)

n. Concentrations of Credit Risk

As of June 30, 2020, the financial instruments that potentially expose the Foundation to credit risk consist of cash and cash equivalents. The Foundation places its temporary cash investments with high credit quality financial institutions and limits its amount of credit exposure to any one financial institution; however, balances at times exceed federally insured limits (See Note 1c). The Foundation has never experienced any losses related to those balances.

o. Tax status

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and believes it has complied with all requirements necessary to maintain its status.

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 2: Lease Commitment

The Foundation leases its office space in Denver, Colorado under a three year lease which expires on December 31, 2020 and requires minimum rent of \$24,339 during the year ending June 30, 2021.

Rent expense incurred during fiscal year 2020 and 2019 of \$48,037 and \$46,757, respectively, is recorded in the statement of functional expenses herein under "occupancy costs."

Note 3: Commitment for Dreamer's Scholarships

Although not required by generally accepted accounting principles of the United States to be recorded herein, the Foundation has made conditional promises with 503 Dreamers who have not yet graduated from high school. The commitment is to provide the four year equivalent of tuition at a Colorado community college (approximately \$12,000) provided that they fulfill the condition of graduating from high school. In addition, partial commitments exist with certain Dreamer's who are currently pursuing higher education. All scholarships for higher education are conditionally earned "one year" at a time.

The current and prior years' expense for scholarships earned and awarded, amounting to \$181,705 and \$196,077, respectively, is paid for either by current donor contributions or a pool of "net assets with donor restrictions" which are primarily invested in mutual funds and amounted to \$700,296 at June 30, 2020. (See Note 8)

Note 4: Recently Issued Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The update is intended to make several improvements to current reporting requirements that address: complexities in the previous requirement to present three classes of net assets, deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by misunderstandings and confusion about the term unrestricted net assets and how restrictions or limits imposed by donors, grantors, laws, contracts and governing boards affect an entity's liquidity, classes of net assets and financial performance. The update is effective for fiscal years beginning after December 15, 2017. In the previous year, the Foundation adjusted the presentation of these statements accordingly.

In May 2014, FASB issued Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)". Update No. 2015-14 deferred the effective date to fiscal periods beginning after December 15, 2019. The Update represents the convergence of FASB and IASB standards on revenue recognition and creates a principle-based revenue recognition framework that replaces nearly all existing USGAAP revenue recognition guidance. The Update also requires expanded disclosures surrounding revenue recognition. The Foundation has determined that the eventual impact of this standard will not be significant since its one government fee-based contract is 100% earned within a fiscal year cycle.

Note 5: Liquidity and Availability of Financial Resources

Financial assets available for general operating expenditure within one year of the balance sheet date consist of the following current assets. The Foundation manages its cash flow

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 5: Liquidity and Availability of Financial Resources (continued)

requirements throughout the year by closely timing the release of net assets with donor restrictions and monitoring the current year's budget to actual trends:

Cash and cash equivalents	\$ 509,473
Prepaid expenses	2,739
Investments	1,100,471
Less: Resources subject to donor restrictions	<u>(986,885)</u>
	<u>\$625,798</u>

Note 6: Federal PPP Loan from the Small Business Administration

In April 2020, the Foundation received a \$231,700 loan through their primary bank under the Small Business Administration's Payroll Protection Program (PPP) intended to help mitigate the financial impact of the COVID 19 pandemic by providing support to meet payroll and related expenses. Recorded as a liability at June 30, 2020, the Foundation is using the proceeds for payroll related costs during the 24-week period from when the loan was issued on April 20. During the 2020-2021 fiscal year, the Foundation will submit an application for forgiveness of most, if not 100% of this loan. The amount of forgiveness is dependent upon satisfying all verification requirements, including the level of future Full Time Equivalent (FTE) employees. Any loan amounts not forgiven will result in on-going principal and interest payments over 2 years at a 1% interest rate, but may be paid off early without penalty.

Note 7: Subsequent Event/COVID 19 Pandemic Impact on Fiscal Year 2020-2021

In December 2019, a novel strain of coronavirus, or COVID-19, was reported to have surfaced in Wuhan, China. As of March 2020, the World Health Organization declared the spread of the novel coronavirus, COVID-19, to be a pandemic. Efforts to contain the spread of COVID-19 intensified as the U.S., on a state by state basis, implemented severe travel restrictions, social distancing and quarantining and stay at home measures where needed. These restrictions, which included full closure of its offices and the schools it serves, did have a negative impact on the Foundation's 4th quarter revenues. There has since been a transition back to improved monthly revenue levels as Colorado has eased certain of the restrictions implemented in March 2020 and the Foundation has worked closely with STRIVE Prep to implement a virtual learning format and assist students and their families with their hardware needs.

However, the Foundation cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on U.S. philanthropy in general; or its specific financial condition, operations, and business plans for 2020 and 2021.

Note 8: Net Assets With Donor Restrictions

Due to the long-term nature of its program, the Foundation receives significant donations with donor-imposed restrictions as to use. At June 30, 2020, the unexpended portion of these items totaled \$986,885. During 2018, the Foundation's efforts included a significant and historic build-up of \$493,197 in donor restricted net assets for its first ever sponsorship of an entire school. These funds were spent over these last two years as the school added its last class and wrap around support services became fully integrated. Activity for the year ended June 30, 2020 within this category of net assets was as follows:

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2020

Note 8: Net Assets With Donor Restrictions (Continued)

	Balance	<u>Current Period</u>		Balance
<u>Donor restricted purpose</u>	<u>6/30/2019</u>	<u>Income</u>	<u>Releases</u>	<u>6/30/2020</u>
Dreamer expenses:				
- Weill class	\$ 74,838	\$ --	\$ (74,838)	\$ --
- McHugh – IHAD operations	498,486	--	(211,897)	286,589
Sponsored School – STRIVE				
Prep at Ruby Hill	243,653	16,936	(260,589)	--
Scholarship Funds	<u>749,694</u>	<u>137,236</u>	<u>(186,634)</u>	<u>700,296</u>
	<u>\$1,566,671</u>	<u>\$154,172</u>	<u>\$(733,958)</u>	<u>\$986,885</u>