

Dreams of Wilmington, Inc.

Wilmington, North Carolina

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

For the Year Ended June 30, 2022

Dreams of Wilmington, Inc.
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For the Year Ended June 30, 2022

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Dreams of Wilmington, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2022 (with comparative totals for 2021)

	2022	2021 (for comparative purposes only)
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 605,719	\$ 567,048
Investments	248,268	272,086
Grants & pledges receivable	-	125,000
Other receivables	1,562	893
Prepaid insurance	1,781	1,754
Total current assets	857,330	966,781
ENDOWMENT ACCOUNT		
Investments	122,384	124,342
FIXED ASSETS		
Leasehold improvements - Building	1,408,661	1,336,161
Furniture and equipment	52,325	43,315
Software & website	8,000	8,000
Accumulated depreciation	(347,913)	(304,771)
	1,121,073	1,082,705
OTHER ASSETS		
Restricted cash for long-term purposes - food preparation area	-	6,829
Construction in Progress - food preparation area	-	16,206
	-	23,035
TOTAL ASSETS	\$ 2,100,787	\$ 2,196,863
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES		
Accounts payable & accrued liabilities	\$ 37,390	\$ 30,940
Accrued leave	1,893	2,925
Refundable advance - PPP Loan	-	67,700
Total current liabilities	39,283	101,565
NET ASSETS		
Without donor restrictions		
Undesignated	818,047	881,422
Investment in fixed assets	1,121,073	1,082,705
Total without donor restrictions	1,939,120	1,964,127
With donor restrictions	122,384	131,171
Total net assets	2,061,504	2,095,298
TOTAL LIABILITIES AND NET ASSETS	\$ 2,100,787	\$ 2,196,863

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total (for comparative purposes only)
REVENUES AND SUPPORT				
Grants, contributions & fundraising	\$ 494,821	\$ -	\$ 494,821	\$ 436,900
In-kind rental contribution	40,000	-	40,000	40,000
Program revenues	10,748	-	10,748	1,544
Rental income	5,678	-	5,678	650
Investment return	(22,376)	529	(21,847)	39,430
Miscellaneous income	81	-	81	708
Net assets released from restrictions				
Restrictions satisfied by payments	9,316	(9,316)	-	-
Total revenues and support	538,268	(8,787)	529,481	519,232
EXPENSES				
Program services	450,107	-	450,107	359,983
Administration	81,140	-	81,140	89,963
Fundraising	31,421	-	31,421	50,258
	562,668	-	562,668	500,204
Change in net assets	(24,400)	(8,787)	(33,187)	19,028
Net assets at beginning of period	1,964,127	131,171	2,095,298	2,075,364
Prior period adjustment	(607)	-	(607)	906
Net assets at end of period	\$ 1,939,120	\$ 122,384	\$ 2,061,504	\$ 2,095,298

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022 (with comparative totals for 2021)

	2022				2021
	Program	Administration	Fundraising	Total	(for comparative purposes only)
Wages	\$ 132,087	\$ 40,498	\$ 17,540	\$ 190,125	\$ 209,685
Contract labor - teachers	122,788	-	-	122,788	63,827
Payroll taxes	10,666	3,270	1,417	15,353	17,751
Employee benefits	7,748	2,375	1,029	11,152	7,824
In-kind rental expense	34,000	6,000	-	40,000	40,000
Depreciation	36,671	4,314	2,157	43,142	41,346
Program supplies	19,743	-	-	19,743	12,790
Occupancy expenses	34,045	6,151	-	40,196	33,760
Contracted services - other	23,263	11,144	1,500	35,907	28,031
Office expense	7,694	3,178	1,399	12,271	10,804
Insurance	6,480	1,748	-	8,228	11,135
Fundraising events	-	-	6,286	6,286	1,247
Equipment lease	1,502	177	88	1,767	1,869
Interest expense	-	393	-	393	-
Miscellaneous	2,969	1,035	5	4,009	3,060
Repairs and maintenance	2,798	773	-	3,571	4,179
Fellowship & apprenticeship exp	2,500	-	-	2,500	9,056
Travel and training	2,945	84	-	3,029	921
Advertising & promotion	2,208	-	-	2,208	2,919
Total Expense	<u>\$ 450,107</u>	<u>\$ 81,140</u>	<u>\$ 31,421</u>	<u>\$ 562,668</u>	<u>\$ 500,204</u>

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022 (with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
		(for comparative purposes only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (33,187)	\$ 19,028
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	43,142	41,346
Realized and unrealized investment (gains) losses	36,387	(30,288)
Prior period adjustment	(607)	906
Non-cash donation received	(20,681)	(10,031)
Changes in certain assets and liabilities:		
Receivables	124,331	116,870
Prepaid insurance	(27)	(642)
Refundable advance - PPP loan	(67,700)	-
Payables and accrued liabilities	<u>5,418</u>	<u>18,896</u>
Net cash provided by operating activities	87,076	156,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	22,442	107,872
Purchase of investments	(12,372)	(105,416)
Purchase of fixed assets	(65,304)	(2,164)
Increase in construction in progress	<u>-</u>	<u>(7,748)</u>
Net cash used by investing activities	<u>(55,234)</u>	<u>(7,456)</u>
Net increase (decrease) in cash	31,842	148,629
Cash and cash equivalents, beginning of year	<u>573,877</u>	<u>425,248</u>
Cash and cash equivalents, end of year	<u><u>\$ 605,719</u></u>	<u><u>\$ 573,877</u></u>

Non-cash transaction:

The Organization has recorded \$40,000 of in-kind revenue as well as \$40,000 in-kind rent expense related to the lease of a facility at below fair rental value.

Interest charged to expense totaled \$393 for the year ended 6/30/22

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the nature of activities and significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of Activities

Dreams of Wilmington, Inc. operates in southeastern North Carolina and has a mission to create a culture of confidence for youth and teens, through equitable access to arts education, supported by values of respect, family, and community. Sources of revenue include a combination of grants, contributions, and program related fees.

Accounting Method

The Organization records its transactions using the accrual basis method of accounting, whereby revenue and the related assets are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and any highly liquid debt instruments.

Contributions

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions even if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Receivables

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Service Code Section 501 (c)(3). As such, contributions to the Organization are tax deductible. Tax returns remain subject to examination by taxing authorities for a period of 3 years. At June 30, 2022 tax returns for fiscal years ending in 2019, 2020 and 2021 remain “open” to possible examination.

Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program services, administration, and fundraising). The Statement of Functional Expenses presents these same expenses by functional and natural classification (wages, payroll taxes, supplies, etc.). Certain costs have been allocated among functional categories using an objective basis (such as staff members’ time or building square footage).

Management 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 certain reported amounts. Accordingly, actual results could differ from those estimates.

Dreams of Wilmington, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost if purchased and fair value if donated. The Organization's policy is to capitalize all fixed asset purchases over \$1,000. All property and equipment is depreciated using the straight line and other methods over the estimated useful life of the asset. Depreciation for the year ended June 30, 2022 totaled \$43,142.

Net Asset Classes

Generally accepted accounting principles require the reporting of activities by net asset class. Net asset classes include:

Net Assets Without Donor Restrictions – result from contributions or grants to the organization that have no donor/grantor-imposed restrictions, less all expenses incurred in the operation of the organization.

Net Assets With Donor Restrictions – result from contributions and grants to the organization whose use is limited by a donor/grantor-imposed restriction or that must be maintained permanently. Restrictions that are temporary are typically satisfied either by the passage of time or by the actions of the organization. Investment returns on permanently restricted assets typically may be used in full or in part for the operations of the organization

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **November 4, 2022**, the approximate date the financial statements were available to be issued.

NOTE 2: OPERATING LEASE COMMITMENTS

The Organization leases a facility at 901 Fanning St. Wilmington, NC for \$1 annually from the City of Wilmington. See Note 3.

The Organization also leases certain equipment under operating leases with terms of one year or less. Rental expense related to these leases is \$1,767 for the year ended June 30, 2022.

NOTE 3: IN-KIND RENT CONTRIBUTION AND EXPENSE

As referenced in NOTE 2, the Organization leases a facility in Wilmington, NC from the City of Wilmington for \$1 annually. The Organization has recorded in-kind revenue of \$40,000 which is the estimated fair market rent of the facility for the year ended June 30, 2022. The Organization has also recorded in-kind rental expense of \$40,000 related to the facility.

NOTE 4: CASH RISK

The Organization maintains several cash accounts at two financial institutions. The Organization's cash held at the institutions is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the institutions exceeded the FDIC insurance limit by \$105,497 at June 30, 2022.

Dreams of Wilmington, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 5: INVESTMENTS & FAIR VALUE MEASUREMENTS

Dreams of Wilmington, Inc. applies a framework for measuring fair values under generally accepted accounting principles which applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Significant other observable inputs.
- Level 3 - Significant unobservable inputs

Assets and liabilities that are measured at fair value on a recurring basis are as follows at June 30, 2022:

	<u>Cost</u>	<u>Fair Value (Level 1)</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds			
Cash and Money Market Funds	128,875	128,875	-
Bond Funds	115,374	97,874	(17,500)
Equity Funds	50,428	48,272	(2,156)
Equity Exchange Traded Funds (ETFs)	86,178	95,631	9,453
	\$ <u>380,855</u>	\$ <u>370,652</u>	\$ <u>(10,203)</u>

The Organization's investment return is summarized as follows:

Interest and dividend income	\$ 14,540
Net realized and unrealized gains (losses)	(36,387)
Total investment return (loss)	\$ <u>(21,847)</u>

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

<u>Subject to organizational spending policy and appropriation:</u>	
Roger Davis Scholarship Endowment – restricted in perpetuity	\$ 22,384
Endowment Fund – restricted in perpetuity	100,000
	\$ <u>122,384</u>
 <u>By financial statement caption:</u>	
Endowment Account: Investments	\$ <u>122,384</u>

During the year ended June 30, 2022, net assets with donor restrictions of \$9,316 were reclassified to net assets without donor restrictions upon satisfaction of the restriction.

Dreams of Wilmington, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7: ENDOWMENT FUNDS

The Organization's endowment consists of two funds. The first established during the fiscal year ended June 30, 2018 to provide a permanent reservoir of assets that will provide regular income for the needs of Dreams of Wilmington, Inc. The second, established during fiscal year ended June 30, 2020 to be used for the purpose of providing scholarship funds to eligible DREAMS student(s). The endowment funds only includes donor restricted funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the *donor-restricted* endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, North Carolina Coastal Land Trust classifies as permanently restricted net assets (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 applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Net Assets Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ <u>-</u>	\$ <u>122,384</u>	\$ <u>122,384</u>

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 124,342	\$ 124,342
Contributions	-	-	-
Investment return	-	529	529
Amount appropriated for use in operations	<u>-</u>	<u>(2,487)</u>	<u>(2,487)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>122,384</u>	\$ <u>122,384</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles in the United States, deficiencies of this nature are reported in net assets without restrictions. There were no deficiencies as of June 30, 2022.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Dreams of Wilmington, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7: ENDOWMENT FUND (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a conservative asset allocation that places a greater emphasis on fixed income and money market investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's current policy is to appropriate to operations, any realized earnings associated with the Endowment Fund set up to provide regular income for the needs of Dreams. In establishing this policy, along with a conservative investment approach, the Organization plans to maintain the original value of the gift to the permanent endowment as well as providing income in order to achieve mission objectives.

NOTE 8: LIQUIDITY DISCLOSURE

The Organization has \$855,549 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$605,719, investments of \$248,268 and short-term receivables of \$1,562. Financial assets of \$122,384 are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date and are not included in the above total. The above short-term receivables are subject to implied time restrictions but are expected to be collected within one year.

The Organization sets a goal of having financial assets on hand to meet 3 months of operations. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs into high quality investment vehicles.

NOTE 9: PAYCHECK PROTECTION PROGRAM NOTE

The Organization received a loan for \$67,700 through the Paycheck Protection Program on April 23, 2020. The Organization received notice of partial PPP loan forgiveness on August 20, 2021. The forgiven amount of \$48,822 left a remaining principal balance of \$18,878 which was repaid in its entirety during the fiscal year ended June 30, 2022.

NOTE 10: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the year ended June 30, 2022 consist of the following:

Correct undeposited funds balance	\$ (607)
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NOTE 11: COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized information was derived. Certain prior year accounts may have been consolidated or expanded in order to better conform with current year presentation.