

**Dream On 3**

**Financial Statements and  
Independent Auditor's Report**

**December 31, 2019 and 2018**

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## Dream on 3

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Independent Auditor's Report

Dream on 3  
Board of Directors  
Harrisburg, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Dream on 3, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 controls 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*

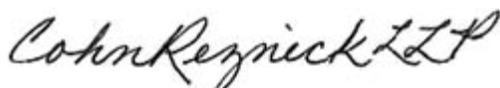
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 Dream on 3 as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Charlotte, North Carolina  
July 28, 2020

Dream On 3

Statements of Financial Position  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets		
Cash	\$ 270,050	\$ 396,707
Restricted cash	8,000	8,000
Pledges and contributions receivable	5,500	-
Prepaid expense	3,649	4,747
	<u>287,199</u>	<u>409,454</u>
Total current assets		
Long-term assets		
Property and equipment		
Computer equipment	4,407	1,232
Furniture and fixtures	8,300	8,300
	<u>12,707</u>	<u>9,532</u>
Less accumulated depreciation	<u>(3,692)</u>	<u>(1,353)</u>
	<u>9,015</u>	<u>8,179</u>
Total property and equipment		
Total long-term assets	<u>9,015</u>	<u>8,179</u>
Total assets	<u>\$ 296,214</u>	<u>\$ 417,633</u>

Dream On 3

Statements of Financial Position  
December 31, 2019 and 2018

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,574	\$ 8,397
Deferred revenue	98,312	175,074
	<u>105,886</u>	<u>183,471</u>
Total current liabilities	105,886	183,471
	<u>105,886</u>	<u>183,471</u>
Total liabilities	105,886	183,471
Net assets		
Net assets without donor restrictions	182,828	234,162
Net assets with donor restrictions	7,500	-
	<u>190,328</u>	<u>234,162</u>
Total net assets (deficit)	190,328	234,162
	<u>\$ 296,214</u>	<u>\$ 417,633</u>
Total liabilities and net assets (deficit)	<u>\$ 296,214</u>	<u>\$ 417,633</u>

See Notes to Financial Statements.

## Dream On 3

### Statements of Activities and Changes in Net Assets Years Ended December 31, 2019 and 2018

	2019			2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	
Public support and revenue					
Contributions, sponsorships, and grants	\$ 503,588	\$ 7,500	\$ 511,088	\$ 308,520	
Special events revenue	\$ 709,878			\$ 825,536	
Less cost of direct benefits to donors	(260,118)			(178,660)	
Net revenue from special events	449,760	-	449,760		646,876
Donated goods	65,089	-	65,089		78,711
Donated services	390,146	-	390,146		390,441
Interest revenue	2,027	-	2,027		788
	<u>1,410,610</u>	<u>7,500</u>	<u>1,418,110</u>		<u>1,425,336</u>
Total operating support and revenue					
Operating expenses					
Program services	1,124,134	-	1,124,134		971,612
Management and general	154,495	-	154,495		131,486
Fundraising	183,315	-	183,315		135,393
	<u>1,461,944</u>	<u>-</u>	<u>1,461,944</u>		<u>1,238,491</u>
Total expenses					
Change in net assets (deficit)	(51,334)	7,500	(43,834)		186,845
Net assets - beginning	234,162	-	234,162		47,317
Net assets - end	<u>\$ 182,828</u>	<u>\$ 7,500</u>	<u>\$ 190,328</u>	<u>\$ 234,162</u>	

See Notes to Financial Statements.

### Dream On 3

#### Statement of Functional Expenses Year Ended December 31, 2019

	Program activities	Management and general	Fundraising	Total
Payroll expense	\$ 348,460	\$ 120,102	\$ 115,701	\$ 584,263
Office expenses	8,634	26,375	14,470	49,479
Professional fees	-	2,047	24,892	26,939
In-kind professional fees	389,345	-	501	389,846
In-kind goods	46,148	-	18,941	65,089
Marketing	759	593	3,547	4,899
Travel and entertainment	150,132	2,263	5,150	157,545
Printing	6,913	-	-	6,913
Gifts	4,858	-	-	4,858
Photography and videography	65,676	-	-	65,676
Postage	1,979	323	113	2,415
Program supplies	78,014	96	-	78,110
License fees	-	357	-	357
Depreciation	-	2,339	-	2,339
Other expenses	23,216	-	-	23,216
	<u>\$ 1,124,134</u>	<u>\$ 154,495</u>	<u>\$ 183,315</u>	<u>\$ 1,461,944</u>

## Dream On 3

### Statement of Functional Expenses Year Ended December 31, 2018

	Program activities	Management and general	Fundraising	Total
Payroll expense	\$ 221,287	\$ 96,932	\$ 85,041	\$ 403,260
Office expenses	4,068	23,709	20,626	48,403
Professional fees	1,828	4,732	6,557	13,117
In-kind professional fees	390,441	-	-	390,441
In-kind goods	72,154	-	6,557	78,711
Marketing	1,923	1,388	14,761	18,072
Travel and entertainment	191,682	3,336	1,851	196,869
Printing	4,273	-	-	4,273
Gifts	9,479	-	-	9,479
Photography and videography	65,229	-	-	65,229
Postage	1,501	36	-	1,537
Depreciation	-	1,353	-	1,353
Other expenses	7,747	-	-	7,747
	\$ 971,612	\$ 131,486	\$ 135,393	\$ 1,238,491

See Notes to Financial Statements.

**Dream On 3**

**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ (43,834)	\$ 186,845
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	2,339	1,353
In-kind donations of fixed assets	-	(8,300)
Changes in assets and liabilities		
Pledges and contributions receivable	(5,500)	(12,500)
Prepaid expenses	1,098	16,714
Accounts payable and accrued liabilities	(823)	1,224
Deferred revenue	(76,762)	58,852
	(123,482)	244,188
Cash flows from investing activities		
Net purchases of fixed assets	(3,175)	(1,232)
	(3,175)	(1,232)
Net (decrease) increase in cash	(126,657)	242,956
Cash and restricted cash, beginning	404,707	161,751
Cash and restricted cash, end	\$ 278,050	\$ 404,707
Significant noncash investing activities		
Non-cash additions to fixed assets	\$ -	\$ 8,300

See Notes to Financial Statements.

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

#### Note 1 - Organization

Dream on 3 ("DO3" or the "Organization") was organized as a non-profit corporation in the state of North Carolina. DO3 has received tax exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 to serve and bring sports dreams to life for qualified children by creating personal experiences with their favorite athletes, sporting events, or sports teams.

The primary source of the Organization's revenues is contributions and sponsorships received from the public, corporations, and religious organizations.

The Organization's activities are primarily comprised of the following:

#### **Program activities**

##### *Dream Experiences*

The Dream Experience program serves individuals living with chronic illnesses, intellectual or developmental disabilities or life altering conditions. Recipients between the ages of 5 and 21 receive a fully customized, first-class, personal experience built around their interests and their ultimate sports dream.

##### *Day Dreams*

The Day Dreams program provides an opportunity to serve and impact multiple children and families through special local sporting events. These events typically include partnerships with local sports organizations and are designed to provide hope and encouragement to kids with life-altering medical conditions. Children and families are brought together to experience a fun event, community and a few hours away from the reality of their condition.

##### *Junior Dream Team*

The Junior Dream Team partners with high schools and universities to empower student leaders to plan a dream experience for a fellow student living with special needs.

#### **Supporting activities**

*Management and general* - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

*Fundraising* - Provides the structure necessary to encourage and secure financial support for the Organization through grants, contributions, and special events.

#### Note 2 - Significant accounting policies

##### **Basis of presentation**

The Organization is required to report information regarding its financial position and activities per two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

##### **Property and equipment**

Property and equipment are carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method. The depreciable life is five years.

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

#### Revenue recognition

Contributions and grants received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair market value.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in the future years are recorded at the present value of their established future cash flows.

Grants and sponsorships that are received prior to recognition are recorded as deferred revenue.

#### Donated goods and services

Donated services, when significant and measurable as to value, are reflected in the statements of activities as contributions when provided. In addition, a substantial number of volunteers have donated a significant amount of time to the Organization. These donated services have not been recognized as contributions in the financial statements since the recognition criteria, as stated by generally accepted accounting principles, were not met. Certain professional services are donated to the Organization by various organizations. Since these donated services meet the criteria for recognition, as stated by generally accepted accounting principles, they are recorded at fair value at the date of donation. The Organization received donated services in the amount of \$390,146 and \$390,441, respectively, for the years ended December 31, 2019 and 2018. The Organization also receives donated goods valued based at fair market at the date of the contribution.

#### Net assets

The Organization conforms to generally accepted accounting principles, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions result: (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations. There are \$7,500 and \$0, respectively, of net assets with donor restrictions as of December 31, 2019 and 2018.

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

#### Use of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Income taxes

DO3 has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2019 and 2018. Due to its tax-exempt status, DO3 is not subject to income taxes. They are required to file, and do file, tax returns with the IRS and other taxing authorities. The Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS generally for three years after they were filed. While no Income Tax reporting is currently being examined by the IRS, tax years since 2016 remain open.

#### Functional allocation of expenses

The cost of providing various programs, fundraising and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A shared portion of general and administrative expenses that benefit multiple functional areas are allocated across programs, general and administrative and fundraising using a percentage method.

#### Advertising costs

Advertising costs are charged to operations when incurred.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

#### Change in accounting principles

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective January 2019, DO3 adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the DO3's contracts with customers. No practical expedients were applied. The majority of DO3's revenue is derived from contribution and grant revenue based on the terms of the related agreements. Contribution and grant revenue is accounted for in accordance with Not-for-Profit Entities (Topic 958). Therefore, adoption of ASU 2014-09 had no impact on the recognition of revenue during the periods presented or on the opening balances of net assets as of January 1, 2019 and 2018.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statement of financial position and the statement of cash flows. ASU 2016-18 was

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

adopted retrospectively during the year ended December 31, 2019. Consequently, ending cash and restricted cash as of December 31, 2018 and 2017 was increased from \$396,707 to \$404,707 and \$153,751 to \$161,751, respectively.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. DO3 implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

#### **Note 3 - Restricted cash**

The Nicholas Thornton scholarship program was established to award college scholarships to DO3 recipient alumni. Scholarships from this fund are granted at the discretion of the Board of Directors of the Organization. For the years ended December 31, 2019 and 2018, no contributions were received related to the fund and no scholarships were awarded. The restricted cash at December 31, 2019 and 2018 is \$8,000 and \$8,000, respectively.

#### **Note 4 - Liquidity and availability**

For the years ended December 31, 2019 and 2018, the Organization has \$275,550 and \$396,707, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$270,050 and \$384,207, respectively, and pledges and contributions receivable of \$5,500 and \$12,500, respectively.

#### **Note 5 - Leasing arrangements**

The Organization entered into a lease with Foxhole, LLC on January 13, 2015 for office space. The term of the lease is six months beginning on February 1, 2015 and will automatically renew on a month to month basis until either party notifies the other to terminate the lease. Rent charges were \$850 per month. On July 1, 2018 the Organization entered into a new lease with Foxhole, LLC for office space. The term of the lease is twelve months beginning on July 1, 2018 and terminates on June 30, 2019. At the expiration of the term the lease will automatically renew on a month to month basis until either party notifies the other to terminate the lease. Rent charges are \$1,400 per month. For the years ended December 31, 2019 and 2018, \$16,800 and \$13,500, respectively, of rent expense has been incurred.

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

#### Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows.

	<u>2019</u>	<u>2018</u>
Cash	\$ 270,050	\$ 396,707
Restricted Cash	<u>8,000</u>	<u>8,000</u>
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 278,050</u>	<u>\$ 404,707</u>

Amounts included in restricted cash are comprised of a scholarship fund explained above in Note 3.

#### Note 7 - Special events

The Organization held a gala event to raise awareness among the attendees and the local community as to the Organization's cause and to solicit donations. Gross revenues and direct event expenses related to the fundraising event during the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Revenue		
Ticket sales	\$ 10,916	\$ 7,363
Sponsorships	225,000	47,040
Donations	264,711	515,851
Auction proceeds	<u>209,251</u>	<u>255,282</u>
Total revenue	<u>709,878</u>	<u>825,536</u>
Expenses		
Direct benefit to donors	260,118	178,660
Other expenses	<u>52,084</u>	<u>34,182</u>
Total expenses	<u>312,202</u>	<u>212,842</u>
Net special events income	<u>\$ 397,676</u>	<u>\$ 612,694</u>

Of the \$260,118 of direct benefit to donors in 2019, \$177,289 was in-kind expenses.

## Dream On 3

### Notes to Financial Statements December 31, 2019 and 2018

#### **Note 8 - Related party transactions**

The Organization receives in-kind donations for videography and video production services from The Wheelhouse Foundation, which is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954. The Wheelhouse Foundation is managed by a family member of a member of the Board of Directors of the Organization. The annual contract with The Wheelhouse Foundation is required to be reviewed and approved by the Board of Directors each year. For the years ended December 31, 2019 and 2018, \$213,350 and \$232,975, respectively, in in-kind donations was received from the Foundation.

#### **Note 9 - Concentration of credit risk**

The Organization maintains its cash balances in several accounts at two banks. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2019.

#### **Note 10 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the statements of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through July 28, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent event discussed below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of this virus globally including in early 2020 has caused business disruption domestically in the United States, the area in which the Organization primarily operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Organization expects this matter to negatively impact the Organization's financial condition, results of operations, or cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.



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