

Dream Corps

Financial Statements

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dream Corps
Oakland, California

We have audited the accompanying financial statements of Dream Corps (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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 Corps as of December 31, 2017, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Ramon, California

March 27, 2020

Dream Corps
Statement of Financial Position
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 1,039,391
Accounts receivable - related party	81,918
Contributions and grants receivable, net	1,739,785
Prepaid expenses and other assets	130,698
Property and equipment, net	<u>1,575</u>
 Total assets	 <u><u>\$ 2,993,367</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 160,375
Accrued expenses	277,307
Deferred rent	<u>51,438</u>
Total liabilities	<u><u>489,120</u></u>
 Net assets	
Unrestricted	(508,154)
Temporarily restricted	<u>3,012,401</u>
Total net assets	<u><u>2,504,247</u></u>
 Total liabilities and net assets	 <u><u>\$ 2,993,367</u></u>

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

Dream Corps
Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support			
Contributions from foundations, corporations, and individuals	\$ 1,335,114	\$ 4,925,125	\$ 6,260,239
Interest income	1,923	-	1,923
Gain on disposal of property and equipment	16,314	-	16,314
Other income	195,421	-	195,421
Net assets released from restriction	<u>4,778,582</u>	<u>(4,778,582)</u>	<u>-</u>
Total Revenues, gains and other support	<u>6,327,354</u>	<u>146,543</u>	<u>6,473,897</u>
Functional expenses			
Program services			
#Cut50	2,074,626	-	2,074,626
Green For All	1,348,410	-	1,348,410
#Yes We Code	1,157,192	-	1,157,192
Love Army	1,150,709	-	1,150,709
Others	<u>7,830</u>	<u>-</u>	<u>7,830</u>
Total program services	<u>5,738,767</u>	<u>-</u>	<u>5,738,767</u>
Supporting services			
Management and general	1,018,211	-	1,018,211
Fundraising	<u>613,279</u>	<u>-</u>	<u>613,279</u>
Total supporting services	<u>1,631,490</u>	<u>-</u>	<u>1,631,490</u>
Total functional expenses	<u>7,370,257</u>	<u>-</u>	<u>7,370,257</u>
Change in net assets	(1,042,903)	146,543	(896,360)
Net assets, beginning of year	<u>534,749</u>	<u>2,865,858</u>	<u>3,400,607</u>
Net assets (deficit), end of year	<u>\$ (508,154)</u>	<u>\$ 3,012,401</u>	<u>\$ 2,504,247</u>

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

Dream Corps
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities	
Change in net assets	\$ (896,360)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	28,003
Change in deferred rent	(18,963)
Gain on disposal of property and equipment	20,392
Changes in operating assets and liabilities	
Accounts receivable - related party	434,046
Contributions and grants receivable, net	(652,285)
Prepaid expenses and other assets	(50,089)
Accounts payable	25,858
Accrued expenses	<u>43,682</u>
Net cash used in operating activities	<u>(1,065,716)</u>
Net decrease in cash and cash equivalents	(1,065,716)
Cash and cash equivalents, beginning of year	<u>2,105,107</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,039,391</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 124
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The accompanying notes are an integral part of these financial statements.

Dream Corps
Notes to Financial Statements
December 31, 2017

1. NATURE OF OPERATIONS

Dream Corps (the "Organization") is a national non-profit organization working to uplift and empower the most vulnerable in our society. The Organization works in collaboration with business, government, labor, and grassroots communities to create programs that are focused on three important fields:

- Reform Criminal Justice - #Cut50 is a bipartisan effort to cut crime and incarceration across all 50 states. The Organization brings together leaders impacted by the criminal justice system with unlikely allies spanning the political divide to push for criminal justice solutions.
- Build a Green Economy - Green For All supports efforts to build an inclusive green economy for all. The Organization works at the intersection of the environmental, economic, and racial justice movements to advance solutions to poverty and pollution.
- Create Equity in Tech - #YesWeCode is a national program cultivating future leaders and entrepreneurs from underrepresented backgrounds, creating a pipeline of diverse talent that will shift the culture of the tech sector.
- Stand Against Fear and Hatred - #LoveArmy was created in the aftermath of the 2016 election to stand against fear and hatred. It has grown into a network of more than 130,000 people in all 50 states—working to build a future where all people have a place of freedom and dignity. Since its inception, we have seen the power of our distributed network taking action. We know what's possible with a critical mass of people, rooted in shared values, committed to making a better world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization's financial statements have been prepared on the accrual basis of accounting.

Basis of accounting and financial statement presentation

- *Unrestricted net assets* - net assets not subject to donor-imposed restrictions.
- *Temporarily restricted net assets* - net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* - net assets subject to donor-imposed restrictions that they be maintained in perpetuity by the Organization. The Organization had no permanently restricted net assets as of December 31, 2017.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Dream Corps
Notes to Financial Statements
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Contributions and contributions receivable

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted, depending upon donor restrictions, if any.

Contributions, including unconditional contributions receivable, are recognized as revenues in the period the promise is received. Conditional contributions receivable are not recognized until they become unconditional; that is, contributions are recognized when the conditions on which they depend are substantially met. Contributions receivable promised in one year, but not expected to be collected until after the end of that year, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable may be established based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of contributions receivable.

Donated materials and equipment are recorded as contributions based on their estimated fair value at the date the contribution is made. Donated services are recorded as contributions at their estimated fair value only in those instances in which they enhance nonfinancial assets or the Organization would have acquired such services if they had not been donated, require special skills, and are provided by individuals with those skills. The Organization did not receive any such services in 2017.

Property and equipment

The Organization capitalizes all property and equipment with a cost greater than \$2,500 with an estimated useful life greater than one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the gift. The Organization reviews long-lived property and equipment for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value. Maintenance and repair costs are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	2 - 8 years
Computer equipment and software	3 years

Dream Corps
Notes to Financial Statements
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Organization is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2017, the Organization does not have any significant tax positions for which a reserve would be necessary.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs totaled \$22,162 for the year ended December 31, 2017.

Allocation of functional expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the various functions based on estimates of time and direct costs.

Credit risk

Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and receivables. The Organization places its cash and cash equivalents with high quality financial institutions, which at times may exceed insured limits. The Organization does not require collateral for its receivables. There were no receivables aged in excess of ninety days. Management does not believe significant risk exists with respect to collection of receivables, and has not recognized an allowance for doubtful accounts as of December 31, 2017.

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. Uses of estimates include, but are not limited to, accounting for allowances for doubtful accounts and contributions receivable, assignment of useful lives of property and equipment, and the allocation of certain indirect costs.

Dream Corps
Notes to Financial Statements
December 31, 2017

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions and grants receivable and revenue in the appropriate net asset category. Contributions and grants receivable are recorded using a discount rate of 1.85% for the year ended December 31, 2017.

Contributions and grants receivable consist of the following:

Receivable in less than one year	\$ 1,161,384
Receivable in one to five years	<u>600,000</u>
	1,761,384
Less discounts to present value	<u>(21,599)</u>
	<u><u>\$ 1,739,785</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and equipment	\$ 41,107
Capitalized website costs	<u>34,915</u>
	76,022
Accumulated depreciation	<u>(74,447)</u>
	<u><u>\$ 1,575</u></u>

Depreciation expense totaled \$28,003 for the year ended December 31, 2017.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

#Cut50	\$ 199,295
Green For All	2,617,623
#YesWeCode	<u>195,483</u>
	<u><u>\$ 3,012,401</u></u>

Dream Corps
Notes to Financial Statements
December 31, 2017

5. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets released from restriction during the year were as follows:

#Cut50	\$ 1,851,362
Green for All	348,410
#YesWeCode	1,157,192
Love Army	1,171,618
Expiration of time restrictions	<u>250,000</u>
	<u><u>\$ 4,778,582</u></u>

6. LEASE COMMITMENTS

The Organization leases facilities and office equipment under various non-cancelable operating leases with expiration dates in excess of one year. The leases expire at various dates through September 2024.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2018	\$ 173,208
2019	229,074
2020	233,469
2021	240,471
2022	247,689
Thereafter	<u>450,738</u>
	<u><u>\$ 1,574,649</u></u>

Payments made under a noncancelable lease for a facility in Oakland, California that the Organization no longer occupies is included in rent expense for the year ended December 31, 2017. The Organization subleased this space to an unaffiliated nonprofit organization beginning in January 2015. The sublease agreement expired in February 1, 2018. The above rental expenses for the year ended December 31, 2018 was offset by payments totalling \$15,564 received under this sublease.

Rent expense totaled \$256,783 for the year ended December 31, 2017.

7. RETIREMENT PLAN

The Organization sponsors a defined contribution plan (the "Plan") which covers all employees who meet the Plan's minimum requirements. Under the provisions of the Plan, the Organization may make discretionary matching contributions to the Plan. The Organization made discretionary matching contributions of \$57,576 to the Plan during the year ended December 31, 2017.

Dream Corps
Notes to Financial Statements
December 31, 2017

8. CONCENTRATIONS

The Organization receives a significant portion of its revenues from external donors. Accordingly, the Organization's financial condition is dependent to some extent on the economic state of the region and the philanthropic community in general.

Contributions receivable due from three donors comprise approximately 82% of the total contributions receivable balance as of December 31, 2017. Contributions from three donors comprise approximately 49% of total contributions from foundations, corporations, and individuals for the year ended December 31, 2017.

9. RELATED PARTY TRANSACTIONS

The Organization received \$141,120 in contributions from Magic Labs Media ("MLM") during the year ended December 31, 2017. MLM reimburses the Organization for services provided to MLM. As of December 31, 2017, there were no amounts due from MLM. The Founder of MLM is the President of the Organization's Board of Directors.

Rebuild the Dream ("RTD") is a 501(c)(4) organization that was formed to fight for an economy that works for everyone and an America that delivers on its promise of opportunity for all. RTD has board members in common with the Organization and the Founder of RTD is the President of the Organization's Board of Directors. RTD reimburses the Organization for services provided to RTD. Amounts outstanding from RTD, included in the accounts receivable - related party balance, totaled \$81,918 as of December 31, 2017.

The Organization subscribes to NationBuilder's database. NationBuilder's Co-Founder and CEO is a member of the Organization's Board of Directors. Amounts paid to NationBuilder by the Organization totaled \$32,112 during the year ended December 31, 2017.

10. SUBSEQUENT EVENTS

The noncancelable lease for a facility in Oakland, California that the Organization no longer occupies and subleased (see Note 6) was terminated in February 2018.

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Organization is headquartered, have declared a state of emergency.

Potential impacts to the Organization's donor base may also be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time and donors ability to make grant or pledge payments. Any of the foregoing could harm the Organization's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on their business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Dream Corps
Notes to Financial Statements
December 31, 2017

10. SUBSEQUENT EVENTS (continued)

The Organization has evaluated subsequent events through March 27, 2020, the date the financial statements were available to be issued. Other than as previously disclosed, no subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.