

Dream Corps

Financial Statements

December 31, 2018

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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 (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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, 2018, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 1 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 11 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 determined at this time. Our opinion is not modified with respect to that matter.



Armanino^{LLP}
San Ramon, California

May 13, 2020

Dream Corps
Statement of Financial Position
December 31, 2018

ASSETS

Cash and cash equivalents	\$ 2,261,893
Accounts receivable - related party	81,918
Contributions and grants receivable	1,264,856
Prepaid expenses and other assets	<u>111,921</u>
 Total assets	 <u><u>\$ 3,720,588</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 178,170
Accrued expenses	312,134
Deferred rent	<u>113,911</u>
Total liabilities	<u>604,215</u>
 Net assets	
Without donor restrictions	341,052
With donor restrictions	<u>2,775,321</u>
Total net assets	<u>3,116,373</u>
 Total liabilities and net assets	 <u><u>\$ 3,720,588</u></u>

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

Dream Corps
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions from foundations, corporations, and individuals	\$ 1,988,465	\$ 3,239,226	\$ 5,227,691
Special events	453,499	-	453,499
Consulting income	274,250	-	274,250
Interest income	2,989	-	2,989
Other income	26,204	-	26,204
Net assets released from restriction	<u>3,476,306</u>	<u>(3,476,306)</u>	<u>-</u>
Total revenues, gains, and other support	<u>6,221,713</u>	<u>(237,080)</u>	<u>5,984,633</u>
Functional expenses			
Program services			
#cut50	1,945,997	-	1,945,997
Green For All	877,733	-	877,733
Love Army	426,308	-	426,308
#YesWeCode	<u>547,438</u>	<u>-</u>	<u>547,438</u>
Total program services	<u>3,797,476</u>	<u>-</u>	<u>3,797,476</u>
Support services			
Management and general	873,176	-	873,176
Fundraising	<u>701,855</u>	<u>-</u>	<u>701,855</u>
Total support services	<u>1,575,031</u>	<u>-</u>	<u>1,575,031</u>
Total functional expenses	<u>5,372,507</u>	<u>-</u>	<u>5,372,507</u>
Change in net assets	849,206	(237,080)	612,126
Net assets (deficit), beginning of year	<u>(508,154)</u>	<u>3,012,401</u>	<u>2,504,247</u>
Net assets, end of year	<u>\$ 341,052</u>	<u>\$ 2,775,321</u>	<u>\$ 3,116,373</u>

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

Dream Corps
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Support Services		Total
	#cut50	Green For All	Love Army	#YesWeCode	Management and General	Fundraising	
Personnel expenses							
Salaries and wages	\$ 643,594	\$ 398,017	\$ 249,244	\$ 223,690	\$ 343,281	\$ 186,974	\$ 2,034,667
Employee benefits	90,369	44,435	36,599	44,289	69,762	36,463	321,917
Payroll taxes	52,766	30,138	23,080	17,675	24,906	15,721	164,286
Total personnel expenses	<u>786,729</u>	<u>472,590</u>	<u>308,923</u>	<u>285,654</u>	<u>437,949</u>	<u>239,158</u>	<u>2,520,870</u>
Other expenses							
Grants and other assistance	67,100	-	-	45,200	-	-	122,433
Professional services	571,865	246,802	30,684	140,478	290,212	183,633	1,463,674
Travel	336,072	44,373	18,071	21,171	8,920	17,000	445,607
Occupancy	80,808	48,046	29,304	23,161	70,328	18,400	270,047
Program expenses and supplies	41,272	33,412	16,236	2,973	63	93,095	187,051
Food	8,727	5,490	220	4,743	1,426	118,799	139,405
Software	22,368	14,065	18,806	6,482	24,951	10,491	97,163
Office expenses	30,558	12,647	3,871	17,403	8,883	7,683	81,045
Insurance	-	-	-	-	29,592	-	29,592
Advertising	-	-	-	-	147	8,734	8,881
Bank fees	-	-	-	-	447	4,717	5,164
Depreciation	498	308	193	173	258	145	1,575
Total other expenses	<u>1,159,268</u>	<u>405,143</u>	<u>117,385</u>	<u>261,784</u>	<u>435,227</u>	<u>462,697</u>	<u>2,851,637</u>
	<u>\$ 1,945,997</u>	<u>\$ 877,733</u>	<u>\$ 426,308</u>	<u>\$ 547,438</u>	<u>\$ 873,176</u>	<u>\$ 701,855</u>	<u>\$ 5,372,507</u>

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

Dream Corps
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 612,126
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,575
Change in deferred rent	62,473
Changes in operating assets and liabilities	
Contributions and grants receivable	474,929
Prepaid expenses and other assets	18,777
Accounts payable	17,795
Accrued expenses	34,827
Net cash provided by operating activities	<u>1,222,502</u>
Net increase in cash and cash equivalents	1,222,502
Cash and cash equivalents, beginning of year	<u>1,039,391</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,261,893</u></u>

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

Dream Corps
Notes to Financial Statements
December 31, 2018

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 four 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.
- Stand Against Fear and Hatred - Love Army 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.
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- *Net assets without donor restrictions* - net assets available for use in general operations and not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events as specified by the donor (e.g. the Organization's programs).

Dream Corps
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

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.

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 with or without donor restrictions, depending upon the existence of donor conditions or 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 2018.

Dream Corps
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2018, 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 \$8,881 for the year ended December 31, 2018.

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.

Dream Corps
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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. 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.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.

Dream Corps
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

- f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
 4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018.

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 consisted of the following:

Receivables due in less than one year	<u><u>\$ 1,264,856</u></u>
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4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

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

Depreciation expense totaled \$1,575 for the year ended December 31, 2018.

Dream Corps
Notes to Financial Statements
December 31, 2018

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

#cut50	\$ 449,448
Green For All	2,160,319
#YesWeCode	<u>165,554</u>
	<u>\$ 2,775,321</u>

Net assets with donor restrictions released from restriction during the year were as follows:

#cut50	\$ 1,930,855
Green For All	877,419
Love Army	123,421
#YesWeCode	<u>544,611</u>
	<u>\$ 3,476,306</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 lease expire at various dates through September 2024.

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

Year ending December 31,

2019	\$ 253,824
2020	233,469
2021	240,471
2022	247,689
2023	255,123
Thereafter	<u>195,615</u>
	<u>\$ 1,426,191</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, 2018. The Organization subleased this space to an unaffiliated nonprofit organization beginning in January 2015. The sublease agreement expired on February 1, 2018. Rental expenses for the year ended December 31, 2018 were offset by payments totaling \$15,564 received under this sublease.

Rent expense totaled \$257,498 for the year ended December 31, 2018.

Dream Corps
Notes to Financial Statements
December 31, 2018

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 \$36,435 to the Plan during the year ended December 31, 2018.

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 four donors comprise approximately 85% of the total contributions receivable balance as of December 31, 2018. Contributions from one donor comprised approximately 11% of total contributions from foundations, corporations, and individuals for the year ended December 31, 2018.

9. RELATED PARTY TRANSACTIONS

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 a member of the Organization's Board of Directors. In prior years, RTD reimbursed the Organization for services provided to RTD. There were no amounts reimbursed for the year ended December 31, 2018. Amounts outstanding from RTD, included in the accounts receivable - related party balance, totaled \$81,918 as of December 31, 2018.

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 \$33,658 during the year ended December 31, 2018.

10. LIQUIDITY AND FUNDS AVAILABLE

The Organization's approach to liquidity management is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Annual budgets are structured to utilize a combination of contributions without donor-imposed restrictions and contributions with donor-imposed restrictions to cover the expenditures of the Organization on an ongoing basis. To meet liquidity needs, the Organization has cash and cash equivalents available. The Finance Committee reviews the Organization's financial position monthly and discusses a reasonable cash position to maintain. The Finance Committee has set 45 days in cash as the minimum for 2019.

Dream Corps
Notes to Financial Statements
December 31, 2018

10. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 2,261,893
Contributions and grants receivable	1,264,856
Accounts receivable - related party	<u>81,918</u>
	3,608,667
Net assets with donor restrictions	<u>(2,775,321)</u>
	<u><u>\$ 833,346</u></u>

11. SUBSEQUENT EVENTS

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.

Impacts to the Organization's donor base may 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.

The Organization has evaluated subsequent events through May 13, 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.