

CATCHING THE DREAM

Financial Statements

June 30, 2016

(With Auditor's Report Thereon)

Gary E. Hellmer
Certified Public Accountant
Albuquerque, New Mexico

Independent Auditor's Report

The Board of Directors
Catching the Dream:

I have audited the accompanying financial statements of Catching the Dream (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Catching the Dream's June 30, 2015 financial statements, and in my report dated August 26, 2015, I expressed an unqualified opinion on those 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catching the Dream as of June 30, 2016, 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.

Albuquerque, NM
December 14, 2016



Catching the Dream
Statement of Financial Position
June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash on hand and in bank	\$ 172,624	181,044
Investments	1,510,051	1,616,266
Investments - permanently restricted	57,644	58,899
Accounts receivable	6,165	5,008
Prepaid expenses	1,324	5,472
Total current assets	1,747,808	1,866,689
Investment - land	1,951	1,951
Plant and equipment:		
Furniture and equipment	40,625	36,990
Less accumulated depreciation	30,961	28,084
Net plant and equipment	9,664	8,906
Total assets	\$ 1,759,423	1,877,546

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,542	2,493
Total current liabilities	12,542	2,493
Commitments and contingencies		
Net assets:		
Unrestricted	1,321,028	1,354,845
Temporarily restricted	298,929	395,111
Permanently restricted	126,924	125,097
Total net assets	1,746,881	1,875,053
Total liabilities and net assets	\$ 1,759,423	1,877,546

See accompanying independent accountant's report and notes to financial statements.

Catching the Dream
Statement of Activities and Changes in Net Assets
for the year ended June 30, 2016 with comparative totals for June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Support:					
Contributions	\$ 450,880	-	4,619	455,499	359,860
Foundation grants	-	171,533	-	171,533	214,306
Investment income	41,389	8,526	1,916	51,831	54,688
Miscellaneous	-	4,111	-	4,111	-
Net assets released from restrictions satisfied by payments	266,861	(264,945)	(1,916)	-	-
	<u>759,130</u>	<u>(80,775)</u>	<u>4,619</u>	<u>682,974</u>	<u>628,854</u>
Expenses:					
Program services	486,907	-	-	486,907	469,944
Management and general	158,480	-	-	158,480	191,010
Fundraising	86,364	-	-	86,364	104,770
Total expenses	<u>731,751</u>	<u>-</u>	<u>-</u>	<u>731,751</u>	<u>765,724</u>
Changes in net assets	27,379	(80,775)	4,619	(48,777)	(136,870)
Unrealized investment gains (losses), net	(61,196)	(15,407)	(2,792)	(79,395)	141,493
Net assets, beginning of year	1,354,845	395,111	125,097	1,875,053	789,526
Net assets, end of year	<u>\$ 1,321,028</u>	<u>298,929</u>	<u>126,924</u>	<u>1,746,881</u>	<u>794,149</u>

See accompanying independent accountant's report and notes to financial statements.

Catching the Dream
Statement of Functional Expenses
for the year ended June 30, 2016 with comparative totals for June 30, 2015

	Program Services	Management and General	Fund- Raising	2016 Total	2015 Total
Salaries and Wages:					
Salaries	\$ 73,802	73,802	36,901	184,505	166,214
Fringe benefits	8,716	8,716	4,359	21,791	20,060
Payroll taxes	6,348	6,348	3,174	15,870	13,517
	<u>88,866</u>	<u>88,866</u>	<u>44,434</u>	<u>222,166</u>	<u>199,791</u>
Scholarships and awards	328,427	-	-	328,427	403,547
Postage	19,131	19,131	9,565	47,827	44,072
Rent	7,873	7,873	3,937	19,683	19,053
Travel	7,194	7,194	3,596	17,984	12,013
Office supplies and expense	6,808	6,808	3,405	17,021	21,187
Bank charges and broker fees	5,788	5,788	2,894	14,470	16,155
Dues and publications	5,420	5,420	2,710	13,550	7,104
Miscellaneous	5,200	5,200	2,600	13,000	23,893
Audit and accounting	3,954	3,954	1,976	9,884	6,925
Fundraising	-	-	7,125	7,125	4,893
Legal	2,132	2,132	1,066	5,330	-
Contract labor	1,462	1,462	730	3,654	2,957
Taxes and licenses	1,210	1,210	604	3,024	4,239
Depreciation	1,151	1,151	575	2,877	2,611
Telephone	904	904	452	2,260	2,495
Insurance	856	856	429	2,141	2,990
Equipment repairs and maintenance	531	531	266	1,328	6,622
Printing	-	-	-	-	9,127
Total expenses	<u>\$ 486,907</u>	<u>158,480</u>	<u>86,364</u>	<u>731,751</u>	<u>789,674</u>

See accompanying independent accountant's report and notes to financial statements.

Catching the Dream
 Statements of Cash Flows
 for the year ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (128,172)	(230,264)
Adjustments to reconcile to increase (decrease) in net cash provided by operating activities:		
Depreciation	2,877	2,611
(Increase) decrease in accounts receivable	(1,157)	(3,300)
(Increase) decrease in prepaid expenses	4,148	(292)
(Increase) decrease in investments	107,470	117,285
Increase (decrease) in accounts payable and accrued expenses	10,049	(2,496)
Net cash provided (used) by operating activities	\$ (4,785)	(116,456)
Cash flows from investing activities:		
Cash payments for the purchase of fixed assets	(3,635)	-
Net cash provided (used) by investing activities	(3,635)	-
Net increase (decrease) in cash and equivalents	(8,420)	(116,456)
Cash and equivalents, beginning of year	181,044	297,500
Cash and equivalents, end of year	\$ 172,624	181,044
Interest and dividends received	\$ 51,831	54,688

See accompanying independent accountant's report and notes to financial statements.

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2016

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Catching the Dream (Organization) is a nonprofit corporation organized in 1986 for the purpose of providing educational and charitable services for Native Americans. Before July 1, 2000, the Organization was known as Native American Scholarship Fund, Inc.

Services include providing scholarship funds to needy students, assisting students with their studies, providing for the educational betterment of Native Americans, determining the best approaches to education for Native Americans, and facilitating entrance into higher education for Native Americans. Services also include providing technical assistance and training to schools, colleges, and tribes to improve the quality of high school and elementary school education for Native American students.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958, Catching the Dream is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments to be cash equivalents.

Fair Value of Financial Instruments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities, governmental and corporate bonds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices or securities with similar characteristics or discounted cash flows. Level 2 securities include foreign obligations and collateralized mortgage backed securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Catching the Dream does not have any investments classified within Level 2 or Level 3 hierarchies.

The valuation methodology used for assets measured at fair value for mutual funds, common and preferred stocks are valued at the closing price reported on the major market on which the individual securities are traded. Common and preferred stock are generally classified within Level 1 of the valuation hierarchy.

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CATCHING THE DREAM
Notes to Financial Statements
June 30, 2016

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Foundation grants, contributions and corporate grants consist of grants received from foundations, individual contributions and corporate grants. These grants and contributions may be unrestricted, temporarily restricted or permanently restricted. This revenue is recognized when the amounts are received.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. As such, the Organization's normal activities do not result in any income tax liability. Catching the Dream did not incur any unrelated business taxable income for the year ended June 30, 2016.

Catching the Dream files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, Catching the Dream is subject to examination by federal and state jurisdictions, where applicable. As of June 30, 2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year ended June 30, 2013 and forward.

Property and Equipment

All acquisitions of property and equipment in excess of \$300 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

(Continued)

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2016

NOTE 1—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Reclassifications

Certain accounts and amounts in the prior-year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. These receivables are expected to be collected within one year.

The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on management analysis if specific promises are made. No allowance was made for the year ended June 30, 2016.

Prior Year Summarized Information

The summarized June 30, 2015 comparative information presented in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses has been derived from Catching the Dream's financial statement for the year then ended.

Subsequent Events

Management evaluated subsequent events through December 14, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to December 14, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2016.

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2016

NOTE 2—INVESTMENTS

Level 1 investments consist of the following at June 30, 2016 and 2015:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Money market funds	\$ 144,155	73,360
Mutual funds	1,036,296	1,111,587
Exchange-traded products	<u>387,244</u>	<u>490,218</u>
	<u>\$ 1,567,695</u>	<u>1,675,165</u>

The investments are presented as follows on the statement of financial position:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Investments	\$ 1,510,051	1,616,266
Investments - permanently restricted	<u>57,644</u>	<u>58,899</u>
	<u>\$ 1,567,695</u>	<u>1,675,165</u>

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 2016 and 2015:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Dividends	<u>\$ 51,831</u>	<u>54,688</u>
	<u>\$ 51,831</u>	<u>54,688</u>

Realized and unrealized gains and losses are included in the change in net assets on the Statements of Activities. For the year ended June 30, 2016, Catching the Dream incurred a net loss of \$79,395 and for June 30, 2015 a net gain of \$141,493.

NOTE 3—CONCENTRATION OF CREDIT RISK

The amount of cash on deposit with financial institutions may, at times, exceed the federally insured limits. Catching the Dream has not experienced any losses in such accounts, and its management believes it is not exposed to any significant credit risk from cash balances.

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2016

NOTE 4—PENSION PLAN

The Organization has adopted a contributory retirement plan for all full-time employees commencing during the fiscal year that ended June 30, 1995. The plan is voluntary with employee contributions and matching contributions (maximum of 7.5% of gross wages) by the Organization. The retirement plan is administered by TIAA-CREF. Expenses for the years ended June 30, 2016 and 2015 are \$5,157 and \$5,634, respectively.

During the year ended June 30, 2015, the board of directors of Catching the Dream voted to grant a one-time pre-retirement contribution of \$161,571 to the Executive Director.

NOTE 5—TEMPORARY RESTRICTIONS ON NET ASSETS, CASH AND INVESTMENTS

Substantially all of the restrictions on net assets as of June 30, 2016 relate to funds raised for the purpose of providing scholarships and educational programs to Native American students.

Temporarily restricted assets are available for the payment of scholarships and educational programs. At June 30, 2016, temporarily restricted net assets consisted of cash on hand and in bank of \$88,988 and investments of \$209,941 for a total of \$298,929.

NOTE 6—PERMANENT RESTRICTIONS ON NET ASSETS, CASH AND INVESTMENTS

Permanently restricted net assets consist of investments to be held indefinitely, the income from which is expendable to support the scholarship program. Permanently restricted net assets at June 30, 2016 included cash on hand and in bank of \$487 and investments of \$121,818 for a total of \$122,305.

NOTE—7 COMMITMENTS

Catching the Dream leases office space under an operating lease. The lease expires April 30, 2017 and annual minimum rental payments under the operating lease through June 30, 2017 \$15,818.

Rent expense for the year ended June 30, 2016 was \$19,683.