

CATCHING THE DREAM

Financial Statements

June 30, 2020

(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, 2020, 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's summarized comparative information has been derived from Catching the Dream's June 30, 2019 financial statements, and in my report dated June 30, 2020, 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, 2020, 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 15, 2020



Catching the Dream
Statement of Financial Position
June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash on hand and in bank	\$ 81,151	208,844
Investments - donor purpose restricted	1,595,241	1,685,538
Investments - donor restricted endowments	123,651	122,234
Accounts receivable	2,840	3,540
Prepaid expenses	1,718	1,592
Total current assets	<u>1,804,601</u>	<u>2,021,748</u>
Investment - land	1,951	1,951
Plant and equipment:		
Furniture and equipment	40,625	40,625
Less accumulated depreciation	<u>39,696</u>	<u>38,969</u>
Net plant and equipment	<u>929</u>	<u>1,656</u>
Total assets	<u>\$ 1,807,481</u>	<u>2,025,355</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,640	8,039
Total current liabilities	<u>6,640</u>	<u>8,039</u>
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	1,413,601	1,556,511
Net assets with donor purpose restrictions	188,039	269,680
Net assets with donor restricted endowments	<u>199,201</u>	<u>191,125</u>
Total net assets	<u>1,800,841</u>	<u>2,017,316</u>
Total liabilities and net assets	<u>\$ 1,807,481</u>	<u>2,025,355</u>

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, 2020 with comparative totals for June 30, 2019

	Unrestricted	Purpose Restrictions	<u>Donor</u> Restricted Endowments	Restricted Total	2020 Total	2019 Total
Support:						
Contributions	\$ 223,327	108,000	7,500	115,500	338,827	698,420
Investment income	48,086	15,889	1,378	17,267	65,353	62,960
Miscellaneous	36	-	-	-	36	312
Net assets released from restrictions satisfied by payments	201,977	(200,599)	(1,378)	(201,977)	-	-
	<u>473,426</u>	<u>(76,710)</u>	<u>7,500</u>	<u>(69,210)</u>	<u>404,216</u>	<u>761,692</u>
Expenses:						
Program services	324,989	-	-	-	324,989	341,981
Management and general	141,389	-	-	-	141,389	151,361
Fundraising	77,127	-	-	-	77,127	85,463
Total expenses	<u>543,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>543,505</u>	<u>578,805</u>
Changes in net assets	(70,079)	(76,710)	7,500	(69,210)	(139,289)	182,887
Unrealized investment gains (losses), net	(72,831)	(4,931)	576	(4,355)	(77,186)	(15,363)
Net assets, beginning of year	1,556,511	269,680	191,125	460,805	2,017,316	1,849,792
Net assets, end of year	<u>\$ 1,413,601</u>	<u>188,039</u>	<u>199,201</u>	<u>387,240</u>	<u>1,800,841</u>	<u>2,017,316</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, 2020 with comparative totals for June 30, 2019

	Program Services	Management and General	Fund- Raising	2020 Total	2019 Total
Salaries and Wages:					
Salaries	\$ 80,246	80,246	40,123	200,615	195,820
Fringe benefits	9,995	9,995	4,998	24,988	37,289
Payroll taxes	6,480	6,480	3,240	16,200	16,516
	<u>96,721</u>	<u>96,721</u>	<u>48,361</u>	<u>241,803</u>	<u>249,625</u>
Scholarships and awards	183,600	-	-	183,600	190,620
Postage	9,584	9,584	4,791	23,959	31,220
Rent	9,000	9,000	4,499	22,499	18,956
Office supplies and expense	8,118	8,118	4,058	20,294	15,507
Bank charges and broker fees	7,212	7,212	3,606	18,030	16,856
Travel	3,832	3,832	1,917	9,581	5,207
Fundraising	-	-	6,431	6,431	9,779
Miscellaneous	1,499	1,499	750	3,748	12,186
Insurance	1,314	1,314	658	3,286	3,746
Telephone	1,020	1,020	511	2,551	2,643
Dues and publications	801	801	401	2,003	1,938
Contract labor	793	793	397	1,983	2,543
Equipment repairs and maintenance	419	419	210	1,048	780
Audit. Accounting and legal	350	350	174	874	9,637
Depreciation	291	291	145	727	1,385
Printing	254	254	127	635	4,645
Taxes and licenses	181	181	91	453	1,532
Total expenses	<u>\$ 324,989</u>	<u>141,389</u>	<u>77,127</u>	<u>543,505</u>	<u>578,805</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (216,475)	167,524
Adjustments to reconcile to increase (decrease) in net cash provided by operating activities:		
Depreciation	727	1,385
(Increase) decrease in accounts receivable	700	1,275
(Increase) decrease in prepaid expenses	(126)	42
(Increase) decrease in investments	88,880	(178,307)
Increase (decrease) in accounts payable and accrued expenses	(1,399)	(2,045)
Net cash provided (used) by operating activities	<u>\$ (127,693)</u>	<u>(10,126)</u>
Net increase (decrease) in cash and equivalents	(127,693)	(10,126)
Cash and equivalents, beginning of year	208,844	218,970
Cash and equivalents, end of year	<u><u>\$ 81,151</u></u>	<u><u>208,844</u></u>
Interest and dividends received	<u><u>\$ 65,353</u></u>	<u><u>60,964</u></u>

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

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2020

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), (ASU) 2016-14, Financial Reporting Model for Not Profit Organizations. Under ASC 958, Catching the Dream reports information regarding its financial position and activities according to three classes of net assets: net assets without donor restrictions, net Assets with donor restrictions and net assets with donor restricted endowments. Restricted contributions whose restrictions are met in the same reporting period are recorded as donor contributions without restrictions.

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, 2020

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, 2020.

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, 2020, 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, 2017, 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.

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CATCHING THE DREAM
Notes to Financial Statements
June 30, 2020

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, 2020.

Prior Year Summarized Information

The summarized, June 30, 2019 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 June 30, 2020, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to June 30, 2020 that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, 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, 2020.

Financial Statement Presentation

Financial Statement Presentation. In accordance with FASB Accounting Standards Codification ASC 958 *Not for Profit Entities*, Goodwill reports 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 whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

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CATCHING THE DREAM
Notes to Financial Statements
June 30, 2020

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

FASB ASC 740 *income taxes*, addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, an organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of an organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal years ended June 30, 2019 and 2020.

FASB has issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The amendments in this update were issued to improve the current net asset classification requirements and the information presented in Not-for-Profit financial statements and notes. The update simplifies the Statement of Financial Position by requiring only two net asset classifications: net assets with donor restrictions and net assets without donor restrictions. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early application is permitted. Management adopted this pronouncement as of June 30, 2019. The adoption of this ASU primarily affected the presentation of the Organization's net assets without donor restrictions.

NOTE 2—INVESTMENTS

Level 1 investments consist of the following at June 30, 2020 and 2019:

	<u>June 30,</u> <u>2020</u>	<u>2019</u>
Money market funds	\$ 106,595	90,393
Mutual funds	1,272,509	1,375,258
Exchange-traded products	<u>339,788</u>	<u>342,121</u>
	<u>\$ 1,718,892</u>	<u>1,807,772</u>

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

	<u>June 30,</u> <u>2020</u>	<u>2019</u>
Investments - Purpose restricted for scholarships and reading awards	\$ 1,595,241	1,685,538
Investments - Donor restricted endowments	<u>123,651</u>	<u>122,234</u>
	<u>\$ 1,718,892</u>	<u>1,807,772</u>

(Continued)

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2020

NOTE 2—INVESTMENTS, Continued

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 2020 and 2019:

	<u>June 30,</u> <u>2020</u>	<u>2019</u>
Dividends	\$ 65,353	62,960
	<u>\$ 65,353</u>	<u>62,960</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, 2020, Catching the Dream incurred a net loss of \$77,186 and for year ended June 30, 2019, a net loss of \$15,363.

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.

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, 2020 and 2019 are \$6,075 and \$6,210, respectively.

**NOTE 5—NET ASSETS WITH DONOR PURPOSE RESTRICTIONS
ON NET ASSETS, CASH AND INVESTMENTS**

Net assets with donor purpose restrictions are available for the payment of scholarships and educational programs. At June 30, 2020, Net assets with donor purpose restrictions consisted of cash on hand and in bank of \$97,600, mutual funds \$1,157,853 and exchange traded investments of \$339,788 for a total of \$1,595,241.

NOTE 6—NET ASSETS WITH DONOR RESTRICTED ENDOWMENTS ON 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, 2020, included cash on hand and in bank of 8,995 and investments of \$114,256 for a total of \$123,651.

CATCHING THE DREAM
Notes to Financial Statements
June 30, 2020

NOTE—7 COMMITMENTS

Catching the Dream leases office space under an operating lease. The lease expires April 30, 2023, and annual minimum rental payments under the operating lease are as follows:

Year ending June 30,	
2021	\$ 21,260
2022	21,956
2023	<u>18,780</u>
	<u>\$ 61,996</u>

Rent expense for the year ended June 30, 2020 was \$22,499.