

**I HAVE A DREAM FOUNDATION
- COLORADO**

FINANCIAL STATEMENTS

JUNE 30, 2015

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activity and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
I Have a Dream Foundation - Colorado
Denver, Colorado

We have audited the accompanying financial statements of I Have a Dream Foundation - Colorado (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 & 2014, and the related statements of activity and changes in net assets 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 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 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, 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 I Have a Dream Foundation - Colorado as of June 30, 2015 & 2014 and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Davis & Co., CPAs, P.C.

Highlands Ranch, Colorado
November 12, 2015

I HAVE A DREAM FOUNDATION - COLORADO
 Statements of Financial Position
 June 30, 2015 & 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 55,999	\$ 613,252	\$ --	\$ 669,251	\$ 768,996
Grants & pledges receivable	--	--	--	--	--
Prepaid expenses & deposits	<u>14,139</u>	<u>--</u>	<u>--</u>	<u>14,139</u>	<u>5,735</u>
	<u>70,138</u>	<u>613,252</u>	<u>--</u>	<u>683,390</u>	<u>774,731</u>
Investments, cost of \$807,305.	--	819,213	164,000	983,213	837,624
Furniture, equipment & vehicle, at cost	76,903	--	--	76,903	76,903
Less: accumulated depreciation	<u>(75,046)</u>	<u>--</u>	<u>--</u>	<u>(75,046)</u>	<u>(73,405)</u>
	<u>1,857</u>	<u>--</u>	<u>--</u>	<u>1,857</u>	<u>3,498</u>
	<u>\$71,995</u>	<u>\$1,432,465</u>	<u>\$164,000</u>	<u>\$1,668,460</u>	<u>\$1,615,853</u>
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 7,759	\$ 2,640	\$ --	\$ 10,399	\$ 17,043
Accrued compensated absences	10,475	--	--	10,475	7,959
Deferred revenue	<u>30,000</u>	<u>--</u>	<u>--</u>	<u>30,000</u>	<u>--</u>
	<u>48,234</u>	<u>2,640</u>	<u>--</u>	<u>50,874</u>	<u>25,002</u>
Net assets	<u>23,761</u>	<u>1,429,825</u>	<u>164,000</u>	<u>1,617,586</u>	<u>1,590,851</u>
	<u>\$71,995</u>	<u>\$1,432,465</u>	<u>\$164,000</u>	<u>\$1,668,460</u>	<u>\$1,615,853</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO
Statements of Activity and Changes in Net Assets
For the Years Ended June 30, 2015 & 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year ended 6/30/2015</u>	<u>Year ended 6/30/2014</u>
SUPPORT AND REVENUE					
Direct & indirect contributions	\$ 158,383	\$ 84,191	\$ --	\$ 242,574	\$ 297,285
Foundations & corporations	439,367	157,500	--	596,867	718,422
Special events, net	289,782	--	--	289,782	236,911
In-kind contributions	140,000	--	--	140,000	101,225
Investment income realized	--	29,257	--	29,257	30,550
Unrealized gains (losses)	--	(16,448)	--	(16,448)	45,131
	<u>1,027,532</u>	<u>254,500</u>	<u>--</u>	<u>1,282,032</u>	<u>1,429,524</u>
Net assets released by the passage of time or satisfaction of program restrictions	<u>311,133</u>	<u>(311,133)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total public support and revenue	1,338,665	(56,633)	--	1,282,032	1,429,524
FUNCTIONAL EXPENSES					
Program services:					
Dreamer's classes	1,117,324			1,117,324	1,235,293
Supporting services:					
Management & general	75,385			75,385	75,084
Financial development	62,588			62,588	71,760
	<u>137,973</u>			<u>137,973</u>	<u>146,844</u>
Total functional expenses	<u>1,255,297</u>			<u>1,255,297</u>	<u>1,382,137</u>
CHANGE IN NET ASSETS	83,368	(56,633)	--	26,735	47,387
Net assets, beginning of period	<u>(59,607)</u>	<u>1,486,458</u>	<u>164,000</u>	<u>1,590,851</u>	<u>1,543,464</u>
Net assets, end of period	<u>\$23,761</u>	<u>\$1,429,825</u>	<u>\$164,000</u>	<u>\$1,617,586</u>	<u>\$1,590,851</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO
 Statements of Functional Expenses
 For the Years Ended June 30, 2015 & 2014

	Supporting Services			Year ended June 30, 2015	Year ended June 30, 2014
	Program Services - Dreamers	General and Administrative	Financial Development		
Personnel expenses	\$ 637,113	\$ 42,951	\$ 35,792	\$ 715,856	\$818,263
In-kind contributed expenses	140,000	--	--	140,000	101,225
Scholarships	69,813	--	--	69,813	55,781
Direct program costs	104,123	--	--	104,123	171,730
Occupancy costs	40,639	2,740	2,283	45,662	40,032
Professional services	13,937	8,114	12,783	34,834	41,661
Travel & transportation	22,438	5,609	--	28,047	36,717
Telecommunications & internet	27,821	1,876	1,563	31,260	38,861
Training & development	16,233	--	--	16,233	8,018
Office supplies & expenses	18,358	1,238	1,031	20,627	22,839
Advertising & promotion	--	--	7,405	7,405	11,894
Dues, licenses & subscriptions	10,390	5,195	1,731	17,316	20,355
Meetings & conferences	8,065	3,922	--	11,987	5,236
Insurance costs	8,394	2,099	--	10,493	7,581
Depreciation expense	--	1,641	--	1,641	1,944
Total expenses	<u>\$1,117,324</u>	<u>\$75,385</u>	<u>\$62,588</u>	<u>\$1,255,297</u>	<u>\$1,382,137</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO
Statements of Cash Flows
For the Years Ended June 30, 2015 & 2014

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,735	\$(104,853)
Adjustments to reconcile to net cash provided by operating activities:		
Unrealized (gains) losses	16,448	(62,402)
Depreciation	1,641	2,993
Changes in operating assets and liabilities:		
Decrease in grants & pledges receivable	--	270,000
Decrease (increase) in prepaid expenses & deposits	(8,404)	6,161
Increase (decrease) in accounts payable	(6,644)	1,340
Increase in deferred revenue	30,000	--
Increase (decrease) in accrued compensated absences	<u>2,516</u>	<u>(9,131)</u>
Net cash provided by operating activities	62,292	104,108
Cash flow from investing activity:		
Sales (purchases) of investments, net	(162,037)	7,368
Additions to fixed long-lived assets	<u>--</u>	<u>--</u>
	(162,037)	7,368
CHANGE IN CASH AND CASH EQUIVALENTS	(99,745)	111,476
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>768,996</u>	<u>657,520</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$669,251</u>	<u>\$768,996</u>
Supplemental disclosure of cash flow information:		
Cash basis operating activity:		
Interest and dividend income	<u>\$29,257</u>	<u>\$38,448</u>

The accompanying notes are an integral part of these statements.

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2015

Note 1: Summary of Significant Accounting Policies
Significant accounting policies are as follows:

a. Organization

I Have a Dream Foundation – Colorado (the "Foundation") was incorporated under the laws of the State of Colorado on February 29, 1988. The Foundation's mission is to encourage the 100% graduation of students in Denver, Colorado. Over the last 27 years, the Foundation has developed and fine-tuned a comprehensive one-on-one support and advocacy model for participants, who are affectionately called Dreamers. The Foundation has impacted the lives of 810 Dreamers through; mentoring, academic enrichment services, social-emotional supports, global cultural exploration activities, experiential learning, community service projects, internship and corporate networking experiences, collegiate coaching and tuition assistance for higher education. Dreamers are selected and adopted in the third grade and are provided these services up and through post-secondary pursuits. Approximately 90% of our Dreamers graduate from high school.

Since 1988, thirteen Dreamer cohorts have been adopted and ten have completed the 10-year cohort model. In June 2014, two Dreamer cohorts, The McLoraine and McHugh classes, completed the 10-year cohort model and have graduated from high school. Dreamers are eligible for a post-secondary scholarship and about 68% of our Dreamers have accessed the post-secondary scholarship and are pursuing a college degree or vocational school. For the 2014-2015 and 2015-2016 academic years, the Foundation continues to provide wrap-around services to Dreamers in the remaining three cohorts. During the current academic year, the Foundation expanded its reach by introducing a new "school adoption model" with STRIVE Preparatory Schools.

In the fall of 2014, the Foundation partnered with the STRIVE Preparatory Network to sponsor 180 newly enrolled kindergarten and first-grade students at STRIVE Prep – Ruby Hill; a newly created elementary school in Southwest Denver. This new "school adoption" model offers Dreamers and their families' on-site wrap-around support during afterschool, holiday breaks and summer vacation. The Foundation will continue to adopt each new kindergarten class (90 students) as Ruby Hill grows. This support will be in place for Dreamers up and through post-secondary pursuits.

The Foundation is supported primarily by contributions from individuals, private foundations and corporations.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation follows the provisions of FASB ASC 958-210 "Financial Statements of Not-for-Profit Organizations". Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted – Resources not subject to donor-imposed restrictions

Temporarily restricted – Resources subject to donor-imposed restrictions that will be satisfied by actions of the Foundation or the passage of time. (See Note 5)

Permanently restricted – Resources subject to permanent donor restrictions regarding the spending of principal. (See Note 4)

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted demand and time deposits with maturities of six months or less to be cash equivalents. All account balances at December 31, 2014 were fully insured by either the Federal Deposits Insurance Corporation or the Securities Investors Protection Corporation.

d. Furniture, equipment and vehicle

Expenditures of \$1,000 or more for long-lived assets that will benefit multiple years are capitalized at either their historical cost or donated fair market value. Annual depreciation expense is calculated using the straight-line method and expected lives of 5 years. Depreciation expense during 2015 was \$1,641.

e. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions". If a donor-imposed restriction is satisfied in the same accounting period that the revenue is received, the Foundation reports the revenue as "unrestricted."

f. Investments

Investments consist of mutual funds with a fair value of \$983,213 (cost basis of \$969,342). In accordance with accounting principles generally accepted in the U.S., these investments are classified by the Organization as Level 1 due to the existence of daily published market quotes for their respective valuation inputs.

g. Donated assets, supplies, services and use of space

In-kind donations of supplies or facility use are recorded at their fair value in the period received if significant and they would have otherwise been purchased. In-kind donations of services must also require specialized skills and be provided by individuals possessing those skills. Qualified 2015 significant in-kind donations meeting the above criteria and recorded herein are as follows:

<u>Expense category</u>	<u>Amount</u>
Services – technical &/or professional	\$ 107,750
Travel & transportation	12,250
Direct program costs	15,600
Office supplies & expenses	900
Promotional items	<u>3,500</u>
	<u>\$140,000</u>

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

h. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Accrued compensated absences

As required by accounting principles generally accepted in the United States of America, the Foundation accrues compensated absences such as vacation when earned. The liability recorded herein as of June 30, 2015 was \$10,475.

j. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated by the time expended or another reasonable basis.

k. Grants and pledges receivable

The Foundation's pledges and other receivables are due from known sources with which the Foundation is familiar and has a history. Accordingly, management does not believe that a reserve for doubtful accounts is necessary and has elected to use the direct write-off method should a future bad debt materialize.

l. Subsequent Events

Management has evaluated subsequent events through November 12, 2015, the date that the auditor's opinion on these financial statements were available to be issued.

m. Tax status

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Foundation follows FASB ASC #740 "Accounting for Uncertainty in Income Taxes" (ASC 740). The Foundation determined at that time that no cumulative effect adjustment was necessary upon adoption of ASC 740, and that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Foundation believes it has no items of unrelated business income and that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

Note 2: Lease Commitment

The Foundation leases its office space in downtown Denver, Colorado under a three year lease which expired on December 31, 2014 and is now being carried forward on an informal month to month basis. Rent expense incurred during fiscal year 2015 of \$34,818 is recorded in the statement of functional expenses herein under "occupancy costs."

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

June 30, 2015

Note 3: Commitment for Dreamer's Scholarships

Although not required by generally accepted accounting principles of the U.S. to be recorded herein, the Foundation has made conditional promises with 323 Dreamers who have not yet graduated from high school. The commitment is to provide the four year equivalent of tuition at a Colorado community college (approximately \$12,000) provided that they fulfill the condition of graduating from high school. In addition, partial commitments exist with certain Dreamer's who are currently pursuing higher education. All scholarships for higher education are conditionally earned "one year" at a time.

The current year expense for scholarships earned and awarded, amounting to \$69,813, is paid for by a pool of temporarily restricted net assets which are primarily invested in mutual funds and amounted to \$893,926 at June 30, 2015. (See Note 5)

Note 4: Permanently Restricted Net Assets and Endowment Fund

Since August of 1994 donors have made \$164,000 of contributions to the Foundation's O'Shaughnessy Endowment Fund. The Organization's Board of Directors has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair-value of these original gifts as of the gift date absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original fair-value of all gifts donated to the permanent endowment and classifies as temporarily restricted net assets all cumulative undistributed investment gains and earnings. See Footnote 5 below for a summary of activity relative to the fund's temporarily restricted net assets. The underlying investment policy calls for an asset allocation assuming moderate risk and is reviewed annually. The spending from the fund is not formula driven but determined annually based on scholarship funding needs.

Note 5: Temporarily Restricted Net Assets

Due to the nature of its signature program, the Foundation receives significant donations with donor-imposed restrictions as to use. At June 30, 2015, the unexpended portion of these items totaled \$1,429,825. Activity for the year ended June 30, 2015 within this category of net assets was as follows:

	Balance	<u>Current Period</u>		Balance
	<u>12/31/2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>6/30/2015</u>
<u>Donor restricted purpose</u>				
Sponsored Dreamer classes:				
- Records/Rainaldi class	\$ 107,071	\$ 75,155	\$ (63,003)	\$ 119,223
- Weill class	261,510	69,452	(75,377)	255,585
- Ruby Hill School	--	17,500	(10,000)	7,500
- Denver Active 20/30 class	144,871	80,128	(71,408)	153,591
Scholarship Fund	919,038	12,265	(76,845)	854,458
Grant for FY 2013/14	14,500	--	(14,500)	--
Endowment Fund	<u>39,468</u>	<u>--</u>	<u>--</u>	<u>39,468</u>
	<u>\$1,486,458</u>	<u>\$254,500</u>	<u>\$(311,133)</u>	<u>\$1,429,825</u>