

Reviewed Financial Statements

Always Dream Foundation (a nonprofit organization)
Years Ended December 31, 2018 and 2017

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To the Board of Directors of
Always Dream Foundation

Independent Accountants' Review Report

We have reviewed the accompanying financial statements of Always Dream Foundation (a nonprofit organization)(the Foundation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

OUM & CO. LLP

San Francisco, California
August 26, 2019

ALWAYS DREAM FOUNDATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017 (as restated)
Cash and cash equivalents	\$ 555,474	\$ 561,639
Cash and cash equivalents - restricted	25,027	25,012
Unconditional promises to give - short-term	52,500	61,262
Investments	1,157,922	1,258,434
Prepaid expenses	84	84
Inventories	13,335	9,812
Unconditional promises to give - long-term	625,012	666,394
Property and equipment - net of accumulated depreciation	1,386	3,274
Deposits	1,831	2,581
Total Assets	\$ 2,432,571	\$ 2,588,492

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accrued expenses	\$ 246	\$ 2,340
Total Liabilities	246	2,340
 <u>Net Assets</u>		
Without donor restrictions	1,508,503	1,533,604
With donor restrictions	923,822	1,052,548
Total Net Assets	2,432,325	2,586,152
Total Liabilities and Net Assets	\$ 2,432,571	\$ 2,588,492

See independent accountants' review report and accompanying notes to financial statements.

ALWAYS DREAM FOUNDATION
STATEMENTS OF ACTIVITIES

	Years Ended December 31,					
	2018			2017 (as restated)		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<u>Revenue and Other Support</u>						
Donations - Events	\$ 194,591	\$ 9,100	\$ 203,691	\$ 200,897	\$ 128,131	\$ 329,028
Donations	72,035	37,650	109,685	28,098	717,628	745,726
Royalties	30,000	-	30,000	29,580	-	29,580
Literacy Campaign	-	82,379	82,379	-	52,267	52,267
Contributed Services - In-kind	52,750	79,585	132,335	288,785	-	288,785
	<u>349,376</u>	<u>208,714</u>	<u>558,090</u>	<u>547,360</u>	<u>898,026</u>	<u>1,445,386</u>
<u>Other Gains (Losses)</u>						
Fundraising events revenue net expenses of \$261,363 and \$697,652 in 2018 and 2017, respectively	(187)	34,750	34,563	3,418	11,109	14,527
	<u>(187)</u>	<u>34,750</u>	<u>34,563</u>	<u>3,418</u>	<u>11,109</u>	<u>14,527</u>
<u>Net Assets (Released) from Restrictions:</u>						
Grants	53,304	(53,304)	-	38,003	(38,003)	-
Program and fundraising expenses	237,552	(237,552)	-	240,547	(240,547)	-
	<u>290,856</u>	<u>(290,856)</u>	<u>-</u>	<u>278,550</u>	<u>(278,550)</u>	<u>-</u>
<u>Total Revenue and Support</u>	<u>640,045</u>	<u>(47,392)</u>	<u>592,653</u>	<u>829,328</u>	<u>630,585</u>	<u>1,459,913</u>
<u>Functional Expenses</u>						
Program services - In-kind	52,750	79,585	132,335	288,785	-	288,785
Program services - General	299,432	-	299,432	347,138	-	347,138
Total Program Services	352,182	79,585	431,767	635,923	-	635,923
Management	93,479	-	93,479	129,611	-	129,611
Fundraising	98,221	-	98,221	87,107	-	87,107
	<u>543,882</u>	<u>79,585</u>	<u>623,467</u>	<u>852,641</u>	<u>-</u>	<u>852,641</u>
<u>Net Revenue and Support Over Expenses</u>	<u>96,163</u>	<u>(126,977)</u>	<u>(30,814)</u>	<u>(23,313)</u>	<u>630,585</u>	<u>607,272</u>
<u>Non-Operating Income (Expense)</u>						
Interest and dividends	9,431	625	10,056	16,125	4,225	20,350
Capital gain distributions	117,916	1,025	118,941	52,775	3,784	56,559
Other income (expense)	(609)	-	(609)	(1,117)	-	(1,117)
Realized loss, net	-	-	-	(2,414)	-	(2,414)
Unrealized gain, net	(248,002)	(3,399)	(251,401)	116,728	128,462	245,190
	<u>(121,264)</u>	<u>(1,749)</u>	<u>(123,013)</u>	<u>182,097</u>	<u>136,471</u>	<u>318,568</u>
<u>Change in Net Assets</u>	<u>(25,101)</u>	<u>(128,726)</u>	<u>(153,827)</u>	<u>158,784</u>	<u>767,056</u>	<u>925,840</u>
<u>Net Assets</u>						
Beginning of year, as reported	2,239,998	346,154	2,586,152	1,374,820	285,492	1,660,312
Prior period adjustment (Note 11)	(706,394)	706,394	-	-	-	-
Beginning of year, as adjusted	<u>1,533,604</u>	<u>1,052,548</u>	<u>2,586,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 1,508,503</u>	<u>\$ 923,822</u>	<u>\$ 2,432,325</u>	<u>\$ 1,533,604</u>	<u>\$ 1,052,548</u>	<u>\$ 2,586,152</u>

See independent accountants' review report and accompanying notes to financial statements.

ALWAYS DREAM FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

	Years Ended December 31,							
	2018				2017 (as restated)			
	Program Services	Management	Fundraising	Total	Program Services	Management	Fundraising	Total
<u>General Expenses</u>								
Skating Scholarship	\$ 5,500	\$ -	\$ -	\$ 5,500	\$ 17,594	\$ -	\$ -	\$ 17,594
Grants								
Schools	53,304	-	-	53,304	38,003	-	-	38,003
Other Organizations	30,575	-	-	30,575	50,994	-	-	50,994
	<u>83,879</u>	<u>-</u>	<u>-</u>	<u>83,879</u>	<u>88,997</u>	<u>-</u>	<u>-</u>	<u>88,997</u>
Contributed Services - In-kind	132,335	-	-	132,335	288,785	-	-	288,785
Wages	61,750	19,000	14,250	95,000	51,236	30,742	20,494	102,472
Payroll taxes	4,797	1,476	1,107	7,380	4,054	2,433	1,622	8,109
Payroll expenses	1,526	470	352	2,348	1,050	630	420	2,100
Workers' compensation	950	292	219	1,461	647	388	259	1,294
Insurance	10,327	6,737	2,383	19,447	5,990	8,220	2,396	16,606
Outside services	49,751	11,946	886	62,583	34,021	10,008	517	44,546
Literacy festival	24,792	-	-	24,792	12,600	-	-	12,600
Legal and professional	-	29,189	-	29,189	-	27,010	-	27,010
Graphic design	-	-	-	-	2,880	960	960	4,800
Donor and volunteer appreciation	-	-	4,971	4,971	-	-	5,800	5,800
Printing	133	44	44	221	-	-	-	-
Bank and credit card charges	-	818	-	818	-	1,493	-	1,493
Computer expense	753	251	251	1,255	426	142	142	710
Public relations and marketing	1,017	339	339	1,695	16,155	10,523	-	26,678
Fundraising and consulting	18,000	9,000	63,000	90,000	40,650	20,325	40,650	101,625
Rent	11,205	5,602	1,867	18,674	10,884	5,442	1,814	18,140
Mailings	575	192	192	959	759	253	253	1,265
Conference	300	150	300	750	202	101	202	505
Board meetings	-	855	-	855	-	2,748	-	2,748
Miscellaneous	9	6	9	24	1,070	715	1,068	2,853
Office supplies	1,177	588	1,177	2,942	4,238	2,119	4,238	10,595
Telephone	1,621	811	270	2,702	1,777	888	296	2,961
Travel	5,107	2,553	5,107	12,767	2,777	1,331	2,663	6,771
Meals	2,875	1,746	742	5,363	2,369	2,751	2,536	7,656
Reimbursement	12,500	-	-	12,500	-	-	-	-
Depreciation	755	378	755	1,888	777	389	777	1,943
Advertising	27	-	-	27	45,985	-	-	45,985
Filing fees	-	1,036	-	1,036	-	-	-	-
Volunteer appreciation	106	-	-	106	-	-	-	-
<u>Total Functional Expenses</u>	<u>\$ 431,767</u>	<u>\$ 93,479</u>	<u>\$ 98,221</u>	<u>\$ 623,467</u>	<u>\$ 635,923</u>	<u>\$ 129,611</u>	<u>\$ 87,107</u>	<u>\$ 852,641</u>

See independent accountants' review report and accompanying notes to financial statements.

ALWAYS DREAM FOUNDATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017 (as restated)
<u>Cash Flows from Operating Activities</u>		
(Decrease) Increase in net assets	\$ (153,827)	\$ 925,840
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,888	1,943
Restricted donation revenue	(25,027)	(25,012)
Revenue from donated investments	-	(564)
Realized loss on investments	-	2,414
Unrealized loss/(gain) on investments	251,401	(130,482)
	74,435	774,139
Changes in operating assets and liabilities:		
Unconditional promises to give	(50,144)	(727,656)
Accrued expenses	(2,094)	(238)
Inventories	(3,523)	2,676
Prepaid expenses	-	1,399
Other	750	-
Net cash provided by operating activities	19,424	50,320
<u>Cash Flows from Investing Activities</u>		
Purchases of investments	(175,798)	(225,256)
Proceeds from sale of investments	150,209	147,258
Net cash used by investing activities	(25,589)	(77,998)
<u>Net Decrease in Cash and Cash Equivalents</u>	(6,165)	(27,678)
<u>Cash and Cash Equivalents at Beginning of Year</u>	561,639	589,317
<u>Cash and Cash Equivalents at End of Year</u>	\$ 555,474	\$ 561,639

See independent accountants' review report and accompanying notes to financial statements.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies

Organization

The Always Dream Foundation (the Foundation) is a Nevada not-for-profit organization formed in 1996 to reach underserved children through innovative reading programs and advancing the cause of early childhood literacy through events and programs. The Foundation's literacy program called "Always Reading" focuses on the development of early childhood literacy skills for grades Kindergarten through 1st grade. The program provides 21st century technology by integrating e-reader tablets and digital books in the classroom. Parents are oriented on the importance of their role in their children's learning.

Summary of Significant Accounting Policies

Method of Accounting

The Foundation prepares its financial statements on the accrual basis which recognizes income in the period earned and expenses when incurred.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to classes of net assets as follows:

Net Assets without Donor Restrictions: Includes the portion of net assets that is not subject to donor-imposed restrictions and may be used broadly for any purpose related to the Foundation.

Net Assets with Donor Restrictions: Includes the portion of net assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by the actions of the Foundation. When a donor restriction is satisfied or a time restriction fulfilled, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions. Also includes the portion of net assets with donor-imposed restrictions that do not expire.

Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities at date of purchase of ninety days or less. Cash equivalents total approximately \$368,500 and \$355,200 at December 31, 2018 and 2017, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. These are recorded at fair value and revalued annually.

Investments

Investments in marketable securities are at fair value. Realized gains and losses on partial sales of securities with more than one purchase lot are calculated on the first-in, first-out method.

See independent accountants' review report.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

Inventories

Inventories are primarily comprised of books to be donated to or used in literacy programs. Inventories total approximately \$13,300 and \$9,800 as of December 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are reported at cost or, in the case of donated items, at fair market value at the date of receipt. Routine maintenance and repairs are charged to expenses as incurred; renewals and betterments, which extend the useful lives of assets, are capitalized.

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to five years (see Note 5).

Revenue Recognition

Contributions are considered available for general operations unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted as to purpose by the donor are reported as restricted support and increase the respective class of net assets. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Foundation reports both the revenue and related expense in the unrestricted net asset class.

Contributed Services and In-Kind Contributions

Contributions of services are recognized if the services received create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A number of volunteers have donated their time to advance the program objectives. No amounts have been recognized in the accompanying financial statements for donated services from the Board of Directors and its legal counsel since no objective basis is available to measure the value of such services.

Program expenses-in-kind are as follows:

	2018	2017
Events		
Travel	\$ 15,000	\$ 83,000
Food	2,000	8,000
Auction	16,350	19,200
Event Advertising	5,500	65,000
Event Shipping	-	30,500
Event Printing and Décor	2,000	3,500
Event Food	11,900	-
	<u>52,750</u>	<u>209,200</u>
Literacy Program		
School Supplies	<u>79,585</u>	<u>79,585</u>
	<u>\$ 132,335</u>	<u>\$ 288,785</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

Fundraising Events Revenue

Fundraising events revenue is reported net of expenses.

Income Tax Status

The Foundation is exempt from Federal and California state income taxes under Section 501(c)(3) of the Internal Revenue Code and related California code section. An organization exempt from taxes pursuant to these code sections is taxed only on unrelated business income. Always Dream Foundation does not have unrelated business income for the years ended December 31, 2018 and 2017 and accordingly, no provision for income taxes has been reflected in the financial statements.

The Foundation follows the accounting standard that establishes for all entities, including not-for-profit entities, a threshold for financial statement recognition of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. Management has evaluated the tax positions of the Foundation and concluded that the Foundation has taken no uncertain tax positions that require adjustments to and/or disclosures in the financial statements.

The Foundation files U.S. Federal and California state information returns. Tax years subject to examination by the U.S. Federal jurisdiction are from 2014 and for the California state jurisdiction from 2013.

Use of Estimates

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

Functional Allocation of Expenses

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

Change in Accounting Principles

The Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities during the year ended December 31, 2018. The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. The major changes in the ASU address the net asset classification, presentation of underwater endowments and related disclosures, use of the placed in service approach to recognize expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, presentation of an analysis of expenses by both function and nature, presentation of net investment return and additional disclosures to improve the usefulness of nonprofit financial statements. The ASU has been applied retrospectively to all periods presented.

2. Financial Instruments and Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist of cash and cash equivalents, unconditional promises to give and investments in marketable securities.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

The Foundation maintains its cash accounts with one commercial bank. It also has money market accounts with an investment company. The cash and money market accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Foundation maintains three brokerage accounts with an investment company. Total marketable securities balances at the brokerage are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000; cash and money market accounts at the brokerage are insured by FDIC up to \$250,000 per institution.

The Foundation's receivables from donors are \$677,512, 98% of which are promises to give from a single donor. There is a risk that the donor may not fulfill its promise to give and that the majority of the receivable would be uncollectible.

3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under *FASB ASC 820* are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2018 and 2017.

The following is a description of the valuation methodology used for fair value measurement of investments:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The method described above may generate a fair value calculation that may not be indicative of net realizable value or future fair values. While the Foundation believes the valuation methodologies used are appropriate, the use of different methodologies or assumptions in calculating fair value could result in different amounts.

The following table presents the Foundation's investments measured at fair value on a recurring basis at December 31, 2018:

General Fund Account - Unrestricted

	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Growth Funds	\$ 255,613	\$ 255,613	\$ -	\$ -
Value Funds	347,204	347,204	-	-
Blend Funds	136,450	136,450	-	-
Diversified Emerging Markets Equity Securities	106,166	106,166	-	-
Financial	41,156	41,156	-	-
Consumer Services and Capital Goods	49,758	49,758	-	-
Healthcare	21,059	21,059	-	-
Technology and Energy	25,896	25,896	-	-
Total	<u>983,302</u>	<u>983,302</u>	<u>-</u>	<u>-</u>

Literacy Fund Account - Restricted

Mutual Funds:				
Value Funds	28,821	28,821	-	-
Blend Funds	55,960	55,960	-	-
World Allocation	89,839	89,839	-	-
Total	<u>174,620</u>	<u>174,620</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,157,922</u>	<u>\$ 1,157,922</u>	<u>\$ -</u>	<u>\$ -</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

The following table presents the Foundation's investments measured at fair value on a recurring basis at December 31, 2017:

General Fund Account - Unrestricted

	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Growth Funds	\$ 261,298	\$ 261,298	\$ -	\$ -
Value Funds	393,921	393,921	-	-
Blend Funds	152,573	152,573	-	-
Diversified Emerging Markets Equity Securities	127,472	127,472	-	-
Financial	40,903	40,903	-	-
Consumer Services and Capital Goods	63,936	63,936	-	-
Healthcare	25,394	25,394	-	-
Technology and Energy	26,795	26,795	-	-
Total	1,092,292	1,092,292	-	-

Literacy Fund Account - Restricted

Mutual Funds:				
Value Funds	33,879	33,879	-	-
Blend Funds	35,007	35,007	-	-
World Allocation	97,256	97,256	-	-
Total	166,142	166,142	-	-
	\$ 1,258,434	\$ 1,258,434	\$ -	\$ -

4. Promise to Give

Unconditional promises to give consists of the following as of December 31:

	2018	2017
Restricted to literacy program	\$ -	\$ 5,918
Unrestricted	937,209	980,053
Total	937,209	985,971
Less discount	(259,697)	(258,315)
Total, net	\$ 677,512	\$ 727,656
Amounts due in:		
Less than one year	\$ 52,500	\$ 61,262
One to five years	200,000	200,000
Six to twenty-five years	684,709	724,709
Total	937,209	985,971
Less discount	(259,697)	(258,315)
Total, net	\$ 677,512	\$ 727,656

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

A long term promise to give in which the Foundation was named as a beneficiary of a trust has been discounted over twenty-five years at a rate of 2.95% using the risk-free rate for twenty-five year notes as of December 31, 2018. The amount of the receivable recorded at December 31, 2018 is \$665,012, net of a discount of \$259,697. Based upon information available to the Foundation as of December 31, 2018, the Foundation is entitled to such amount pursuant to the trust agreement and believes such amount is fully collectible as of December 31, 2018.

5. Property and Equipment

Property and equipment consist of the following at December 31, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 2,704	\$ 2,704	\$ -
Computer equipment	3,233	3,233	-
Intellectual property	<u>5,000</u>	<u>3,614</u>	<u>1,386</u>
	<u>\$ 10,937</u>	<u>\$ 9,551</u>	<u>\$ 1,386</u>

Property and equipment consist of the following at December 31, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 2,704	\$ 2,583	\$ 121
Computer equipment	3,233	3,134	99
Intellectual property	<u>5,000</u>	<u>1,946</u>	<u>3,054</u>
	<u>\$ 10,937</u>	<u>\$ 7,663</u>	<u>\$ 3,274</u>

It is the policy of the Foundation to capitalize property and equipment purchases with a fair value of \$1000 or over at the time of purchase.

6. Commitments and Contingencies

Operating Leases

The Foundation entered into an office lease on June 1, 2015 for a term of three years, one month; through June 30, 2018. Annual rent is subject to CPI increases, with a minimum rent increase of 3% and a maximum increase at 8%. In 2018 the Foundation extended the office lease to begin on August 1, 2018 for an additional term of three years, through July 31, 2021. Future minimum base lease payments under the new extension agreement ending July 31, 2021 are as follows:

Year ended December 31,

2019	\$ 18,562
2020	19,118
2021	<u>11,345</u>
	<u>\$ 49,025</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

7. Restricted Net Assets

<u>Purpose Restrictions</u>	Released from Donor Restriction during 2018	Available at December 31, 2018
Literacy Grants to Schools		
Glenmoor Elementary - CA	\$ 5,355	
Sanchez Elementary – CA	3,622	
International Community School - Allendale Elementary - CA	1,734	
	829	
Glen L Downs Elementary – AZ	3,000	
John F Long Elementary – AZ	6,000	
Fern Elementary – HI	5,215	
Puuhale Elementary – HI	4,215	
Waiahole Elementary – HI	3,215	
Pope Elementary – HI	4,215	
Kalihi Elementary – HI	4,215	
Linapuni Elementary - HI	6,215	
Kalaihi Kai Elementary - HI	(1,672)	
General Program Expenses	<u>7,146</u>	\$ 923,822
	\$ 53,304	
Wages	69,023	
Outside services and consulting	68,768	
Advertising	27	
Travel	5,107	
Literacy festival	24,792	
Other literacy program expenses	29,836	
Release of time restriction	40,000	
	<u>\$ 290,857</u>	<u>\$ 923,822</u>
<u>Purpose Restrictions</u>	Released from Donor Restriction during 2017	Available at December 31, 2017 (as restated)
Literacy Grants to Schools		
Glenmoor Elementary - CA	\$ 4,000	
Sanchez Elementary – CA	3,614	
Starlight Park Elementary – AZ	5,000	
Glen L Downs Elementary – AZ	3,000	
John F Long Elementary – AZ	6,000	
Fern Elementary – HI	3,705	
Puuhale Elementary – HI	2,687	
Waiahole Elementary – HI	1,211	
Pope Elementary – HI	2,740	
Kalihi Elementary – HI	2,688	
Other schools	<u>3,358</u>	\$ 1,052,548
	\$ 38,003	
Wages	56,988	
Outside services and consulting	90,827	
Advertising	45,985	
Travel	2,777	
Literacy festival	12,600	
Other literacy program expenses	31,370	
	<u>\$ 278,550</u>	<u>\$ 1,052,548</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

8. Liquidity and Availability

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are:

	2018	2017
Total assets at year end	\$ 2,432,571	\$ 2,588,492
Less nonfinancial assets:		
Property, plant and equipment	1,386	3,274
Inventory	13,335	9,812
Prepaid expenses	84	84
Financial Assets	2,417,766	2,575,322
Less those unavailable for general expenditure within one year due to:		
Time restrictions	884,709	924,709
Donor restrictions	174,620	166,142
Financial Assets available to meet cash needs for general expenditures within one year	\$ 1,358,437	\$ 1,484,471

9. Related Party Transactions

The Foundation received donations from its Board Members totaling approximately \$123,200 and \$107,800 during the years ended December 31, 2018 and 2017, respectively.

10. Subsequent Events

Management has evaluated subsequent events through August 26, 2019, the date on which the financial statements were available to be issued: There were no material subsequent events that required recognition or additional disclosure in these financial statements.

11. Restatement

The Foundation discovered certain errors resulting in the misclassification of previously reported Net Assets as of December 31, 2017 related to the original classification of unconditional promises to give, totaling \$706,394 as unrestricted assets. The Foundation has increased Restricted Net Assets and reduced Unrestricted Net Assets by \$706,394 on the Statement of Financial Position as of December 31, 2017. Additionally, the Foundation has increased the amount recorded to Donations – Restricted by \$591,685 with a corresponding decrease to Donations – Unrestricted, and increased the amount recorded to Unrealized gain, net – Restricted by \$114,709 with a corresponding decrease to Unrealized gain, net – Unrestricted in the Statement of Activities for the year ended December 31, 2017 to account for these errors.