

Reviewed Financial Statements

Always Dream Foundation (a nonprofit organization)
Years Ended December 31, 2019 and 2018

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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), which comprise the statements of financial position as of December 31, 2019 and 2018, 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
July 28, 2020

ALWAYS DREAM FOUNDATION
STATEMENTS OF FINANCIAL POSITION

(Unaudited)

ASSETS

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 561,035	\$ 555,474
Cash and cash equivalents - restricted	25,079	25,027
Unconditional promises to give - short term	105,950	52,500
Investments	1,556,823	1,157,922
Donated and purchased school supplies	10,389	13,335
Unconditional promises to give - long term	678,862	625,012
Property and equipment - net of accumulated depreciation	-	1,386
Prepays and deposits	1,917	1,915
Total Assets	\$ 2,940,055	\$ 2,432,571

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ -	\$ 246
Deferred event revenue	1,040	-
Total Liabilities	1,040	246

Net Assets

Without donor restrictions	1,846,626	1,508,503
With donor restrictions	1,092,389	923,822
Total Net Assets	2,939,015	2,432,325
Total Liabilities and Net Assets	\$ 2,940,055	\$ 2,432,571

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

ALWAYS DREAM FOUNDATION
STATEMENTS OF ACTIVITIES
(Unaudited)

	Years Ended December 31,					
	2019			2018		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<u>Revenue and Other Support</u>						
Donations - events	\$ 105,891	\$ -	\$ 105,891	\$ 194,591	\$ 9,100	\$ 203,691
Donations	64,457	260,501	324,958	72,035	37,650	109,685
Royalties	75,050	-	75,050	30,000	-	30,000
Literacy campaign	-	73,593	73,593	-	82,379	82,379
Contributed services in-kind	60,895	8,600	69,495	52,750	79,585	132,335
	<u>306,293</u>	<u>342,694</u>	<u>648,987</u>	<u>349,376</u>	<u>208,714</u>	<u>558,090</u>
<u>Other Revenue (Expense), net</u>						
Fundraising events revenue net of expenses of \$120,948 and \$261,363 in 2019 and 2018, respectively	(36)	-	(36)	(187)	34,750	34,563
	<u>(36)</u>	<u>-</u>	<u>(36)</u>	<u>(187)</u>	<u>34,750</u>	<u>34,563</u>
<u>Net Assets (Released) from Restrictions:</u>						
Grants	201,749	(201,749)	-	53,304	(53,304)	-
Program and fundraising expenses	102,551	(102,551)	-	237,552	(237,552)	-
	<u>304,300</u>	<u>(304,300)</u>	<u>-</u>	<u>290,856</u>	<u>(290,856)</u>	<u>-</u>
<u>Total Revenue and Support</u>	<u>610,557</u>	<u>38,394</u>	<u>648,951</u>	<u>640,045</u>	<u>(47,392)</u>	<u>592,653</u>
<u>Functional Expenses</u>						
Program services - in-kind	60,895	8,600	69,495	52,750	79,585	132,335
Program services - General	319,591	-	319,591	299,432	-	299,432
Total Program services	380,486	8,600	389,086	352,182	79,585	431,767
Management	43,767	-	43,767	93,479	-	93,479
Fundraising	162,794	-	162,794	98,221	-	98,221
	<u>587,047</u>	<u>8,600</u>	<u>595,647</u>	<u>543,882</u>	<u>79,585</u>	<u>623,467</u>
<u>Net Revenue and Support Over (Under) Expenses</u>	<u>23,510</u>	<u>29,794</u>	<u>53,304</u>	<u>96,163</u>	<u>(126,977)</u>	<u>(30,814)</u>
<u>Non-Operating Income (Expense)</u>						
Interest and dividends	12,479	682	13,161	9,431	625	10,056
Capital gain distributions	54,401	596	54,997	117,916	1,025	118,941
Other income (expense)	(272)	-	(272)	(609)	-	(609)
Realized gain/(loss), net	(12,850)	547	(12,303)	-	-	-
Unrealized gain/(loss) on investment, net	260,855	3,098	263,953	(248,002)	(3,399)	(251,401)
Gain on trust receivable	-	133,850	133,850	-	-	-
	<u>314,613</u>	<u>138,773</u>	<u>453,386</u>	<u>(121,264)</u>	<u>(1,749)</u>	<u>(123,013)</u>
<u>Change in Net Assets</u>	<u>338,123</u>	<u>168,567</u>	<u>506,690</u>	<u>(25,101)</u>	<u>(128,726)</u>	<u>(153,827)</u>
<u>Net Assets</u>						
Beginning of year	1,508,503	923,822	2,432,325	1,533,604	1,052,548	2,586,152
End of year	<u>\$ 1,846,626</u>	<u>\$ 1,092,389</u>	<u>\$ 2,939,015</u>	<u>\$ 1,508,503</u>	<u>\$ 923,822</u>	<u>\$ 2,432,325</u>

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

ALWAYS DREAM FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
(Unaudited)

	Years Ended December 31,							
	2019				2018			
	Program Services	Management	Fundraising	Total	Program Services	Management	Fundraising	Total
<u>General Expenses</u>								
Skating Scholarship	\$ 18,911	\$ -	\$ -	\$ 18,911	\$ 5,500	\$ -	\$ -	\$ 5,500
Grants								
Schools	42,551	-	-	42,551	53,304	-	-	53,304
Other organizations	17,082	-	-	17,082	30,575	-	-	30,575
	<u>59,633</u>	<u>-</u>	<u>-</u>	<u>59,633</u>	<u>83,879</u>	<u>-</u>	<u>-</u>	<u>83,879</u>
Contributed Services In-kind	69,495	-	-	69,495	132,335	-	-	132,335
Wages	51,483	11,395	32,122	95,000	61,750	19,000	14,250	95,000
Payroll taxes	3,985	874	2,521	7,380	4,797	1,476	1,107	7,380
Payroll expenses	1,418	200	473	2,091	1,526	470	352	2,348
Workers' compensation	660	145	418	1,223	950	292	219	1,461
Insurance	9,513	5,162	6,018	20,693	10,327	6,737	2,383	19,447
Outside services	71,872	6,833	4,791	83,496	49,751	11,946	886	62,583
Literacy festival	16,473	-	-	16,473	24,792	-	-	24,792
Legal and professional	19,939	2,812	6,646	29,397	-	29,189	-	29,189
Graphic design	6,079	857	2,026	8,962	-	-	-	-
Donor and volunteer appreciation	1,219	-	1,647	2,866	-	-	4,971	4,971
Printing	972	137	324	1,433	133	44	44	221
Bank and credit card charges	859	121	286	1,266	-	818	-	818
Computer expense	1,498	211	499	2,208	753	251	251	1,255
Public relations and marketing	5,913	834	1,971	8,718	1,017	339	339	1,695
Fundraising and consulting	-	-	93,415	93,415	18,000	9,000	63,000	90,000
Rent	9,519	7,356	2,380	19,255	11,205	5,602	1,867	18,674
Mailings	1,283	181	428	1,892	575	192	192	959
Conference	89	91	52	232	300	150	300	750
Board meetings	955	977	564	2,496	-	855	-	855
Miscellaneous	5,685	1,212	1,895	8,792	9	6	9	24
Office supplies	1,948	275	649	2,872	1,177	588	1,177	2,942
Telephone	2,296	324	765	3,385	1,621	811	270	2,702
Travel	16,531	-	-	16,531	5,107	2,553	5,107	12,767
Meals	3,064	2,670	7	5,741	2,875	1,746	742	5,363
Entertainment	-	-	300	300	-	-	-	-
Program supplies	55	8	18	81	12,500	-	-	12,500
Depreciation	940	133	313	1,386	755	378	755	1,888
Advertising	-	-	-	-	27	-	-	27
Filing fees	1,000	141	333	1,474	-	1,036	-	1,036
Photographer services	305	43	102	450	-	-	-	-
Video production	5,494	775	1,831	8,100	-	-	-	-
Volunteer appreciation	-	-	-	-	106	-	-	106
<u>Total Functional Expenses</u>	<u>\$ 389,086</u>	<u>\$ 43,767</u>	<u>\$ 162,794</u>	<u>\$ 595,647</u>	<u>\$ 431,767</u>	<u>\$ 93,479</u>	<u>\$ 98,221</u>	<u>\$ 623,467</u>

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

ALWAYS DREAM FOUNDATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Increase (decrease) in net assets	\$ 506,690	\$ (153,827)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,386	1,888
Revenue from donated investments	(2,545)	-
Realized loss on investments	12,303	-
Gain on trust receivable	(133,850)	-
Deferred event revenue	1,040	-
Unrealized (gain)/loss on investments	(263,953)	251,401
	<u>121,071</u>	<u>99,462</u>
Changes in operating assets and liabilities:		
Unconditional promises to give	26,550	(50,144)
Accrued expenses	(246)	(2,094)
Inventories	2,946	(3,523)
Other	(2)	750
Net cash provided by operating activities	<u>150,319</u>	<u>44,451</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of investments	(283,383)	(200,810)
Proceeds from sale of investments	138,677	150,209
Net cash used by investing activities	<u>(144,706)</u>	<u>(50,601)</u>
<u>Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash</u>	5,613	(6,150)
<u>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</u>	<u>580,501</u>	<u>586,651</u>
<u>Cash, Cash Equivalents, and Restricted Cash at End of Year</u>	<u>\$ 586,114</u>	<u>\$ 580,501</u>

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

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

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.

1. 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, temporarily 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 \$266,000 and \$368,500 at December 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Cash, Cash Equivalents, and Restricted Cash		
Checking Accounts	\$ 320,149	\$ 211,962
Money Market Accounts	240,886	343,512
Money Market Accounts - Restricted	<u>25,079</u>	<u>25,027</u>
	<u>\$ 586,114</u>	<u>\$ 580,501</u>

See independent accountants' review report.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

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.

Inventories

Inventories are primarily comprised of books to be donated to or used in literacy programs. Inventories total approximately \$10,400 and \$13,300 as of December 31, 2019 and 2018, 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 temporarily 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 temporarily 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.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Program expenses-in-kind are as follows:

	<u>2019</u>	<u>2018</u>
Events		
Travel	\$ 25,000	\$ 15,000
Food	9,000	2,000
Auction	26,670	16,350
Event Advertising	-	5,500
Event Printing and Décor	225	2,000
Event Food	-	11,900
	<u>60,895</u>	<u>52,750</u>
Literacy Program		
School Supplies	8,600	79,585
	<u>\$ 69,495</u>	<u>\$ 132,335</u>

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, 2019 and 2018 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.

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. For the year-ended December 31, 2019 the Foundation adjusted the classification of consultant and direct expense allocations related to the areas of fund development, marketing, and public relations which were reassigned from administrative functional expenses to fundraising. The Foundation believes this allocation better reflects revenue and fundraising activities efforts as the Foundation is preparing for scale. The shift in the allocation allows the Foundation to have a greater understanding of fundraising efficiency and staffing needs to increase revenues.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

New Accounting Pronouncements

New Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S GAAP; however, the previous guidance will remain in force related to accounting for contributions (nonreciprocal transaction), whereas the new standard will apply to exchange (reciprocal) transactions. The standard was adopted by the Foundation January 1, 2019, and was applied using the modified prospective basis. The standard did not have a material impact on the Foundation's financial position, results of operations, or cash flows.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. As noted above, the distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, Not-for-Profit Entities – Revenue Recognition, while exchange transactions are accounted for under other guidance such as ASC 606, Revenue from Contracts with Customers. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The standard was adopted by the Foundation January 1, 2019 and was applied using the modified prospective basis. The standard did not have a material impact on the Foundation's financial position, results of operations, or cash flows.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for the Foundation effective January 1, 2022. The Foundation is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

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.

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 \$784,812 in 2019 and \$677,512 in 2018, 94% and 98%, respectively, of which are unconditional 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.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

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, 2019 and 2018.

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 Commission. 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.

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

The following table presents the Foundation's investments measured at fair value on a recurring basis at December 31, 2019:

General Fund Account - Unrestricted

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds:				
Growth Funds	\$ 329,484	\$ 329,484	\$ -	\$ -
Value Funds	435,208	435,208	-	-
Blend Funds	50,067	50,067	-	-
Diversified Emerging Markets Equity Securities	133,543	133,543	-	-
Financial	57,352	57,352	-	-
Consumer Services and Capital Goods	70,847	70,847	-	-
Healthcare	23,083	23,083	-	-
Technology and Energy	43,667	43,667	-	-
Total	<u>1,143,251</u>	<u>1,143,251</u>	<u>-</u>	<u>-</u>

Literacy Fund Account - Restricted

Mutual Funds:				
Value Funds	37,156	37,156	-	-
Fixed Income	99,886	99,886	-	-
Blend Funds	171,229	171,229	-	-
World Allocation	105,302	105,302	-	-
Total	<u>413,573</u>	<u>413,573</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,556,824</u>	<u>\$ 1,556,824</u>	<u>\$ -</u>	<u>\$ -</u>

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

General Fund Account - Unrestricted

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

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>

4. Promise to Give

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

	<u>2019</u>	<u>2018</u>
Unrestricted	\$ 950,659	\$ 937,209
Total	950,659	937,209
Less discount	<u>(165,847)</u>	<u>(259,697)</u>
Total, net	<u>\$ 784,812</u>	<u>\$ 677,512</u>

Amounts due in:

Less than one year	\$ 105,950	\$ 52,500
One to five years	300,000	200,000
Six to twenty-five years	<u>544,709</u>	<u>684,709</u>
Total	950,659	937,209
Less discount	<u>(165,847)</u>	<u>(259,697)</u>
Total, net	<u>\$ 784,812</u>	<u>\$ 677,512</u>

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 2.66% using the risk-free rate for twenty-five year notes as of December 31, 2018, the year the trust named the Foundation as a beneficiary. The amount of the receivable recorded at December 31, 2019 is \$738,862, net of a discount of \$165,847. The discount was adjusted in 2019 due to a change in the expected annual payments from the trust, resulting in a gain of \$133,850 as reflected in the accompanying statement of activities. We do not expect any additional changes to the estimate going forward. Based upon information available to the Foundation as of December 31, 2019, the Foundation is entitled to such amount pursuant to the trust agreement and believes such amount is fully collectible as of December 31, 2019.

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

5. Property and Equipment

Property and equipment consist of the following at December 31, 2019:

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

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

	Cost	Accumulated Depreciation	Net Book Value
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>

It is the policy of the Foundation to capitalize property and equipment purchases with a fair value of \$1,000 or over at the time of purchase. Depreciation expense was \$1,386 and \$1,888 for the years ended December 31, 2019 and 2018, respectively.

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,

2020	\$ 19,118
2021	<u>11,345</u>
	<u>\$ 30,463</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

7. Temporarily Restricted Net Assets

<u>Purpose Restrictions</u>		<u>Released from Donor Restriction during 2019</u>	<u>Available at December 31, 2019</u>
Literacy grants to schools			
Peralta Elementary - CA	\$ 686		
International Community School - CA	8,670		
Allendale Elementary - CA	9,542		
Glen L Downs Elementary – AZ	564		
John F Long Elementary – AZ	760		
Starlight Park Elementary - AZ	12,308		
Malama Honua - HI	2,207		
Pope Elementary – HI	3,237		
Linapuni Elementary - HI	441		
General program expenses	4,136	\$ 42,551	\$ 1,092,389
Wages		57,545	
Outside services and consulting		67,093	
Advertising		-	
Travel		16,531	
Literacy festival		16,473	
Other literacy program expenses		44,107	
Release of time restriction		60,000	
		<u>\$ 304,300</u>	<u>\$ 1,092,389</u>

Always Dream Foundation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

<u>Purpose Restrictions</u>		<u>Released from Donor Restriction during 2018</u>	<u>Available at December 31, 2018</u>
Literacy grants to schools			
Glenmoor Elementary - CA	\$ 5,355		
Sanchez Elementary – CA	3,622		
International Community School - CA	1,734		
Allendale Elementary - CA	829		
Glen L Downs Elementary – AZ	3,000		
John F Long Elementary – AZ	6,000		
Fern Elementary – HI	5,215		
Puuahale 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	7,146	\$ 53,304	\$ 923,822
Wages		69,023	
Outside services and consulting		68,767	
Advertising		27	
Travel		5,107	
Literacy festival		24,792	
Other literacy program expenses		29,836	
Release of time restriction		40,000	
		<u>\$ 290,856</u>	<u>\$ 923,822</u>

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Notes to Financial Statements
Years Ended December 31, 2019 and 2018

8. Liquidity and Availability

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

	<u>2019</u>	<u>2018</u>
Total assets at year end	\$ 2,940,055	\$ 2,432,571
Less nonfinancial assets:		
Property and equipment	-	1,386
Inventory	10,389	13,335
Prepaid expenses and deposits	<u>1,917</u>	<u>1,915</u>
Financial assets	<u>2,927,749</u>	<u>2,415,935</u>
Less those unavailable for general expenditure within one year due to:		
Time restrictions	844,709	884,709
Donor restrictions	<u>413,573</u>	<u>174,620</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,669,467</u></u>	<u><u>\$ 1,356,606</u></u>

9. Related Party Transactions

The Foundation received donations from its Board Members totaling approximately \$149,041 and \$123,200 during the years ended December 31, 2019 and 2018, respectively.

10. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Management has evaluated subsequent events through July 28, 2020, the date on which the financial statements were available to be issued and determined no other items were required to be disclosed.