

DreamYard

THE DREAMYARD PROJECT, INC.

FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The DreamYard Project, Inc.
Bronx, New York

We have audited the accompanying financial statements of The DreamYard Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 from 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 The DreamYard Project, Inc. as of June 30, 2018, 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.

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THE DREAMYARD PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

Cash	\$ 1,129,036
Unconditional promises to give, net	1,203,959
Accounts receivable	371,642
Prepaid expenses	9,560
Fixed assets, net	<u>173,382</u>

Total assets

\$ 2,887,579

LIABILITIES

Accounts payable	\$ 104,390
Deferred revenue	<u>4,450</u>

Total liabilities

108,840

NET ASSETS

Unrestricted	1,189,448
Temporarily restricted	<u>1,589,291</u>

Total net assets

2,778,739

Total liabilities and net assets

\$ 2,887,579

See accompanying notes.

THE DREAMYARD PROJECT, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 632,428	2,947,917	\$ 3,580,345
In-kind contributions	445,395	-	445,395
Program service revenue	1,408,158	-	1,408,158
Special event revenue	1,038,584	-	1,038,584
Less costs of direct benefits to donors	(95,097)	-	(95,097)
Other income	3,732	-	3,732
Net assets released from restrictions	3,013,879	(3,013,879)	-
Total revenue	6,447,079	(65,962)	6,381,117
EXPENSES AND LOSSES			
Program services			
In School Programs	2,343,179	-	2,343,179
Here to Here	1,336,010	-	1,336,010
Art Center	1,104,809	-	1,104,809
DreamYard Prep	341,256	-	341,256
Fiscal Sponsorships	231,343	-	231,343
Community Art	78,062	-	78,062
Total program services	5,434,659	-	5,434,659
Supporting activities			
Management and general	640,542	-	640,542
Fundraising	264,912	-	264,912
Total expenses	6,340,113	-	6,340,113
Losses on uncollectible promises to give	53,008	-	53,008
Total expenses and losses	6,393,121	-	6,393,121
Change in net assets	53,958	(65,962)	(12,004)
Net assets at beginning of year	1,135,490	1,655,253	2,790,743
Net assets at end of year	\$ 1,189,448	\$ 1,589,291	\$ 2,778,739

See accompanying notes.

THE DREAMYARD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services						Supporting Activities		Costs of Direct Benefits to Donors	Total Expenses	
	In School Programs	Here to Here	Art Center	DreamYard Prep	Fiscal Sponsorships	Community Arts	Total Program Services	Management and General			Fundraising
Salaries and wages	\$ 1,705,464	\$ 796,108	\$ 653,986	\$ 241,495	\$ -	\$ 54,749	\$ 3,451,802	\$ 131,622	\$ 166,496	\$ -	\$ 3,749,920
Payroll taxes and benefits	257,973	120,421	98,924	36,529	100	8,281	522,228	19,909	25,185	-	567,322
Grants and scholarships	-	108,000	23,792	704	2,900	-	135,396	-	-	-	135,396
Professional fees	77,114	209,452	29,025	21,838	86,253	1,445	425,127	206,527	39,728	-	671,382
Donated legal services	-	-	-	-	-	-	-	249,466	-	-	249,466
Student supplies and meals	112,300	44,319	75,281	22,746	12,001	6,004	272,651	1,694	3,404	-	277,749
Occupancy and utilities	28,761	13,624	102,936	1,240	86,799	-	233,360	2,952	3,103	-	239,415
Travel and lodging	59,573	11,974	66,515	7,653	4,865	3,077	153,657	3,494	2,063	-	159,214
Event space and catering	15,200	-	1,123	3,900	3,955	2,432	26,610	6,935	1,544	95,097	130,186
Facilities repair and maintenance	28,238	5,281	28,735	980	1,616	538	65,388	5,569	2,061	-	73,018
Office expenses	10,223	6,397	3,368	1,256	24,296	203	45,743	2,475	3,818	-	52,036
Depreciation and amortization	22,409	10,788	8,232	-	-	668	42,097	1,605	2,031	-	45,733
Insurance	7,353	3,432	2,820	1,041	4,736	236	19,618	567	718	-	20,903
Information technology	8,221	3,838	3,153	1,164	594	264	17,234	634	803	-	18,671
Conferences and meetings	5,280	108	4,325	63	1,011	18	10,805	2,947	2,041	-	15,793
Subscriptions and license fees	5,070	2,268	2,594	647	1,305	147	12,031	797	452	-	13,280
Credit card and bank fees	-	-	-	-	912	-	912	497	11,465	-	12,874
Interest	-	-	-	-	-	-	-	2,852	-	-	2,852
Total expenses	\$ 2,343,179	\$ 1,336,010	\$ 1,104,809	\$ 341,256	\$ 231,343	\$ 78,062	\$ 5,434,659	\$ 640,542	\$ 264,912	\$ 95,097	\$ 6,435,210
Less cost of direct benefits to donors included in revenue on the statement of activities	-	-	-	-	-	-	-	-	-	(95,097)	(95,097)
Total expenses included in the expenses and losses section of the statement of activities	\$ 2,343,179	\$ 1,336,010	\$ 1,104,809	\$ 341,256	\$ 231,343	\$ 78,062	\$ 5,434,659	\$ 640,542	\$ 264,912	\$ -	\$ 6,340,113

See accompanying notes.

THE DREAMYARD PROJECT, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (12,004)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation and amortization	45,733
Donated services and equipment capitalized	(75,213)
Losses on uncollectible promises to give	53,008
Discount on long term promises to give	2,961
(Increase) decrease in assets	
Unconditional promises to give	504,184
Accounts receivable	(170,656)
Prepaid expenses	12,580
Increase (decrease) in liabilities	
Accounts payable	(78,841)
Deferred revenue	(73,745)
Pass through funds held for others	(5,039)
	<u>202,968</u>
Net cash flows from operating activities	202,968
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(7,911)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	725,000
Payments on line of credit	(872,666)
	<u>(147,666)</u>
Net cash flows from financing activities	(147,666)
Net change in cash	47,391
Cash at beginning of year	<u>1,081,645</u>
Cash at end of year	<u><u>\$ 1,129,036</u></u>
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ 2,852
Noncash investing and financing activities	
Donated services and equipment capitalized	75,213

See accompanying notes.

THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The DreamYard Project, Inc. (DreamYard) collaborates with Bronx youth, families, and schools to build pathways to equity and opportunity through education, the arts, and technology.

DreamYard works with over 15,000 students a year in fifty public schools including DreamYard Preparatory High School and the DreamYard Community Center to cultivate the skills necessary to reach positive goals. DreamYard believes that young people in the Bronx need a continuous set of supports to help them towards positive outcomes as they navigate their educational pathway. DreamYard has every expectation that through offering sustained and meaningful supports, their youth will develop the necessary tools to become creative and engaged citizens, lifelong learners, and the leaders and innovators of the 21st century.

Established in 1994, DreamYard has grown to not only become one of the largest education providers in the Bronx but a nationally recognized community organization that uses the arts, digital tools, and social justice to transform students, schools, and communities.

Over 15 years ago DreamYard chose to work entirely in the Bronx because of the general need and the belief that the organization could most effectively impact change with limited resources if they focused their work on one community. Over that time, DreamYard has invested deeply in the borough, working with over 125 schools and 200,000 students. In partnership with the Ford Foundation and the New York City Department of Education, they have developed a learning pathway for young people in K-12th grade called the Bronx Arts Learning Community, a one-of-a-kind network of 50+ partnering public schools; in 2006 the Organization opened the DreamYard Preparatory High School in partnership with the Gates Foundation; and in 2009, in collaboration with BronxPro Real Estate and the MacArthur Foundation, DreamYard developed a multi-arts and digitally integrated Community Center that serves hundreds of students weekly.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

DreamYard reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by DreamYard in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give receivable in more than one year are reported at the present value of their net realizable value, using the risk-free interest rate applicable to the years in which the promises to give are to be received.

THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

DreamYard considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Fixed Assets

Purchases of fixed assets are capitalized at cost or, if donated, at their estimated fair value on the date of donation and are considered unrestricted unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Deferred Revenue

Program service revenue is recognized based on contract delivery dates. Revenue received prior to the contract dates to which it applies is recorded as deferred revenue.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by DreamYard.

Government Grants

DreamYard's programs are funded in part by grants from various government agencies. Revenue from these grants is based upon the actual cost of the services provided up to the maximum amount specified in the grants. Costs are allocated to these grants in accordance with established procedures and are subject to audit by various government agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

Expense Allocation

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

THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

DreamYard is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through May 10, 2019, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

DreamYard maintains its cash balances at one financial institution located in Bronx, New York. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, DreamYard's uninsured cash balances were approximately \$890,000.

During the year ended June 30, 2018, approximately 95% of total program service revenue was earned from two New York government agencies and 47% of total contributions was derived from five donors. At June 30, 2018, 60% of total promises to give were receivable from three donors.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

Receivable in less than one year	\$ 1,111,920
Receivable in more than one year	<u>95,000</u>
Unconditional promises to give	1,206,920
Less discount to net present value	<u>(2,961)</u>
Unconditional promises to give, net	<u><u>\$ 1,203,959</u></u>

Unconditional promises to give receivable in more than one year are discounted at an effective interest rate of 2.91%.

NOTE 4 – LINE OF CREDIT

DreamYard In July 2019, DreamYard renewed its existing revolving line of credit and increased the maximum outstanding draws from \$250,000 to \$500,000. Outstanding balances accrue interest at the bank's prime rate plus 3.52% and expires in July 2020. At June 30, 2018, the line had no outstanding balance.

THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – RETIREMENT PLAN

DreamYard provides a 403(b) plan that allows employees to make elective deferrals. On March 1, 2018, DreamYard began making discretionary 2% contributions to the plan for employees that met the eligibility requirements. Retirement contributions totaled \$20,757 for the year ended June 30, 2018.

NOTE 6 – FIXED ASSETS

Fixed assets consist of the following:

Furniture and fixtures	\$ 76,653
Equipment	484,742
Leasehold improvements	<u>165,148</u>
Fixed assets	726,543
Less accumulated depreciation and amortization	<u>(553,161)</u>
Fixed assets, net	<u><u>\$ 173,382</u></u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

In School Programs	\$ 162,459
Here to Here	581,182
Art Center	242,500
Fiscal Sponsorships	263,570
Community Arts	14,580
Subsequent period activities	<u>325,000</u>
Temporarily restricted net assets	<u><u>\$ 1,589,291</u></u>

NOTE 8 – LEASING ARRANGEMENTS

DreamYard leases its office and program facilities pursuant to an operating lease that expires on August 31, 2020. During the year ended June 30, 2018, the lessor waived all monthly lease payments. The estimated fair value of the donated facilities is \$120,716 and is included in occupancy on the statement of functional expenses. Additionally, DreamYard leases program space with payments varying month to month. Future minimum lease payments are as follows for the years ending June 30:

2019	\$ 122,509
2020	126,185
2021	<u>21,133</u>
	<u><u>\$ 269,827</u></u>