

CATCH-A-DREAM FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2011 AND 2010

CATCH-A-DREAM FOUNDATION, INC.

DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
 Catch-A-Dream Foundation, Inc.
 Mississippi State, Mississippi

We have audited the accompanying statements of financial position of Catch-A-Dream Foundation, Inc., as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows and schedules of functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catch-A-Dream Foundation, Inc., as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Starkville, Mississippi
 June 29, 2012

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

<i>ASSETS</i>	<u>2011</u>	<u>2010</u>
<i>CURRENT ASSETS</i>		
Cash and cash equivalents (Note A-5)	\$ 520,353	\$ 440,833
Accounts receivable (Note G)	50,000	-
Due from officer	3,800	-
Prepaid expenses	7,075	7,675
Supply inventories (Note A-10)	10,483	10,955
Accrued interest receivable	<u>6,627</u>	<u>6,586</u>
Total current assets	598,338	466,049
<i>INVESTMENTS</i> , at fair value (Notes A-8, B and E)	1,278,326	1,207,790
<i>PROPERTY</i> (Note A-11)		
Furniture	6,505	6,505
Equipment	18,888	18,888
Accumulated depreciation	<u>(18,581)</u>	<u>(14,845)</u>
	<u>6,812</u>	<u>10,548</u>
Total Assets	<u>\$ 1,883,476</u>	<u>\$ 1,684,387</u>
<i>LIABILITIES AND NET ASSETS</i>		
<i>CURRENT LIABILITIES</i>		
Accounts payable	\$ 13,794	\$ 14,410
Due to Mississippi State University (Note A-3)	51,377	46,679
Accrued pending dream costs (Note A-9)	<u>38,443</u>	<u>83,176</u>
Total current liabilities	103,614	144,265
<i>NET ASSETS</i> (Note A-2)		
Unrestricted	<u>1,779,862</u>	<u>1,540,122</u>
Total net assets	<u>1,779,862</u>	<u>1,540,122</u>
Total Liabilities and Net Assets	<u>\$ 1,883,476</u>	<u>\$ 1,684,387</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions (Notes A-4 and A-6)	\$ 669,732	\$ 251,758	\$ 921,490
Special event revenue	139,150	-	139,150
Less cost of direct benefit to donor	<u>(91,471)</u>	<u>-</u>	<u>(91,471)</u>
	47,679	-	47,679
Investment income (Note A-8)	46,068	-	46,068
Realized and unrealized losses on investments (Notes A-8 and B)	(17,557)	-	(17,557)
Net assets released from restrictions (Note A-6)	<u>251,758</u>	<u>(251,758)</u>	<u>-</u>
Total revenues	997,680	-	997,680
EXPENSES (Note A-7)			
<i>Program services</i>	595,786	-	595,786
<i>Supporting services</i>			
Management and general	125,994	-	125,994
Fund-raising	<u>36,160</u>	<u>-</u>	<u>36,160</u>
Total supporting services	<u>162,154</u>	<u>-</u>	<u>162,154</u>
Total expenses	<u>757,940</u>	<u>-</u>	<u>757,940</u>
Change in net assets	239,740	-	239,740
Net assets, beginning of year	<u>1,540,122</u>	<u>-</u>	<u>1,540,122</u>
Net assets, end of year	<u>\$ 1,779,862</u>	<u>\$ -</u>	<u>\$ 1,779,862</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions (Notes A-4 and A-6)	\$ 671,002	\$ 278,924	\$ 949,926
Special event revenue	281,086	-	281,086
Less cost of direct benefit to donor	<u>(186,576)</u>	<u>-</u>	<u>(186,576)</u>
	94,510	-	94,510
Investment income (Note A-8)	37,392	-	37,392
Realized and unrealized gains on investments (Notes A-8 and B)	22,187	-	22,187
Net assets released from restrictions (Note A-6)	<u>278,924</u>	<u>(278,924)</u>	<u>-</u>
Total revenues	1,104,015	-	1,104,015
EXPENSES (Note A-7)			
<i>Program services</i>	567,852	-	567,852
<i>Supporting services</i>			
Management and general	112,814	-	112,814
Fund-raising	<u>25,303</u>	<u>-</u>	<u>25,303</u>
Total supporting services	<u>138,117</u>	<u>-</u>	<u>138,117</u>
Total expenses	<u>705,969</u>	<u>-</u>	<u>705,969</u>
Change in net assets	398,046	-	398,046
Net assets, beginning of year	<u>1,142,076</u>	<u>-</u>	<u>1,142,076</u>
Net assets, end of year	<u>\$ 1,540,122</u>	<u>\$ -</u>	<u>\$ 1,540,122</u>

The accompanying notes are an integral part of this statement.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Change in net assets	\$ 239,740	\$ 398,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gains) losses	13,388	(17,544)
Realized (gains) losses	4,169	(4,643)
Depreciation	3,736	3,837
Increase in accounts receivable	(50,000)	-
Increase in due from officer	(3,800)	-
(Increase) decrease in supply inventories	472	(84)
(Increase) decrease in prepaid expenses	600	(6,643)
Increase in accrued interest receivable	(41)	(3,168)
Decrease in other current assets	-	1,569
Decrease in accounts payable	(616)	(2,111)
Increase (decrease) in due to Mississippi State University	4,698	(1,631)
Increase (decrease) in accrued pending dream costs	<u>(44,733)</u>	<u>26,856</u>
Net cash provided by operating activities	167,613	394,484
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Purchase of investments	(505,744)	(716,386)
Proceeds from sale of securities	417,651	366,240
Purchase of furniture and equipment	<u>-</u>	<u>(5,217)</u>
Net cash used in investing activities	<u>(88,093)</u>	<u>(355,363)</u>
Net increase in cash and cash equivalents	79,520	39,121
Cash at beginning of year	<u>440,833</u>	<u>401,712</u>
Cash at end of year	<u>\$ 520,353</u>	<u>\$ 440,833</u>

The accompanying notes are an integral part of these statements.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services	Supporting Services		Total
		Management and General	Fund-raising	
Direct costs of dreams	\$ 208,225	\$ -	\$ -	\$ 208,225
Reimbursement for services provided by MSU	169,469	67,831	31,112	268,412
Marketing and promotional expense	-	11,866	-	11,866
Professional fees	-	14,389	-	14,389
Bank, credit card, and investment fees	-	3,690	-	3,690
Depreciation	-	3,736	-	3,736
Donor and volunteer recognition	-	4,263	-	4,263
Insurance	5,052	953	5,048	11,053
Miscellaneous	-	2,848	-	2,848
Office supplies	-	6,083	-	6,083
Printing	-	1,469	-	1,469
Dues and fees	3,631	539	-	4,170
Guide expenses	4,803	-	-	4,803
Clothing	23,002	-	-	23,002
Postage/delivery costs	7,487	3,041	-	10,528
Plaques	10,272	-	-	10,272
Telephone	-	4,738	-	4,738
Travel	<u>163,845</u>	<u>548</u>	<u>-</u>	<u>164,393</u>
Total	<u>\$ 595,786</u>	<u>\$ 125,994</u>	<u>\$ 36,160</u>	<u>\$ 757,940</u>

The accompanying notes are an integral part of this schedule.

CATCH-A-DREAM FOUNDATION, INC.

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SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services		Total
		Management and General	Fund-raising	
Direct costs of dreams	\$ 182,293	\$ -	\$ -	\$ 182,293
Reimbursement for services provided by MSU	132,156	51,860	24,169	208,185
Marketing and promotional expense	-	14,468	-	14,468
Professional fees	-	14,118	-	14,118
Bank, credit card, and investment fees	-	3,038	-	3,038
Depreciation	-	3,837	-	3,837
Donor and volunteer recognition	-	1,023	-	1,023
Insurance	988	186	987	2,161
Miscellaneous	-	5,119	147	5,266
Office supplies	-	7,179	-	7,179
Printing	-	2,314	-	2,314
Dues and fees	3,944	1,006	-	4,950
Guide expenses	7,958	-	-	7,958
Clothing	24,831	-	-	24,831
Postage/delivery costs	5,468	4,326	-	9,794
Plaques	9,927	-	-	9,927
Telephone	-	3,847	-	3,847
Travel	200,287	493	-	200,780
Total	<u>\$ 567,852</u>	<u>\$ 112,814</u>	<u>\$ 25,303</u>	<u>\$ 705,969</u>

The accompanying notes are an integral part of this schedule.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1. Nature of Activities**

Catch-A-Dream Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation works in cooperation with the Mississippi State University Extension Service. The singular mission of the Foundation is to grant once-in-a-lifetime outdoor experiences to children 18 years old or younger who have a life-threatening illness.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends 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.

3. Related Party Transactions

The accompanying financial statements include the receipts and disbursements made through the bank accounts of Catch-A-Dream Foundation, Inc. Also included are certain receipts and disbursements made on behalf of Catch-A-Dream Foundation, Inc. through the accounts of Mississippi State University (the University).

The Foundation has a Memorandum of Agreement with the University that is effective through June 30, 2018. This agreement states that the University will provide 20% of the Foundation's expenses related to the salaries and fringe benefits of the Executive Director and secretarial support of the Foundation. During the year, the University provided 100% of the salary and fringe benefits of the secretarial support, which has been recorded as in-kind services. The University will also provide the Foundation with an office and utilities (excluding long distance phone service). Additionally, the University will provide equipment needs on a request basis.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4. *Donated Property, Facilities, Auction Items, and Donated Services***

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills or are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received services, facilities, property and various items to be used in the annual auction as donations that are included in the accompanying statements of activities and changes in net assets at an estimated fair market value of \$304,213 and \$287,225 during 2011 and 2010, respectively, which met the previously discussed criteria.

5. *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. 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.

7. *Description of Program and Supporting Services*

The following program and supporting services are included in the accompanying financial statements:

Program

Activities performed by the Foundation which grant dreams to children with life-threatening medical conditions.

Management and General

Includes all costs not specifically identifiable with dream granting or fund-raising activities, but indispensable to the conduct of the Foundation's mission. These include expenses for the overall direction of the organization, business management, general recordkeeping, and activities relating to these functions such as salaries, supplies, equipment and other general overhead. Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**7. Description of Program and Supporting Services** (Continued)*Fund-raising*

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

8. Investments

Investments in marketable securities with determinable fair values are stated at their fair values in the statements of financial position. Unrealized gains and losses and investment income are recorded in the Statements of Activities and Changes in Net Assets in unrestricted net assets, unless they are permanently or temporarily restricted by the donor.

9. Accrued Pending Dream Costs

The Foundation accrues for the estimated cost of reportable pending dreams when certain measurable dream criteria are met. The reportable pending dream criteria include formal referral of the child to the Foundation, a medical eligibility form signed by the child's physician, formal approval by the Foundation, determination of the dream, and reasonable expectation that the dream will be granted within the following year. As of December 31, 2011 and 2010, the Foundation had 9 and 24, respectively, reportable pending dreams, recorded in the accompanying statements of financial position.

10. Supply Inventories

Supply inventories consist mainly of cookbooks, prints, and knives imprinted with the Catch-a-Dream Foundation, Inc., logo provided to donors for contributions to the Foundation. These inventories are recorded at cost.

11. Property

Property is stated at cost or at the estimated fair value at date of donation. The Foundation's policy is to capitalize asset purchases over \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	7 years

Depreciation expense was \$3,736 and \$3,837 for the years ended December 31, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*12. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The Foundation believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from these estimates.

13. Subsequent Events

Management has evaluated the effect of subsequent events on these financial statements through June 29, 2012, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments were stated at fair value and consisted of the following at December 31, 2011 and 2010:

	2011		2010	
	Cost	Estimated Market Value	Cost	Estimated Market Value
<i>Unrestricted:</i>				
Fixed Income:				
Agency Securities	\$ 193,603	\$ 192,811	\$ 202,313	\$ 199,038
Taxable Bond Mutual Funds	28,248	28,711	78,849	79,264
Corporate Bonds	355,093	350,202	247,942	255,616
Mortgage Backed Securities	246,045	244,060	205,882	202,161
Preferred Trust Securities	47,438	50,607	47,438	50,126
Marketable Certificates of Deposit	-	-	50,000	50,000
Other Securities	78,723	83,421	52,935	50,936
Total Fixed Income	949,150	949,812	885,359	887,141
Equities:				
Stock Mutual Funds	149,205	160,294	138,077	164,038
Preferred Stocks	-	-	18,990	18,032
Total Equities	149,205	160,294	157,067	182,070

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE B - INVESTMENTS (Continued)

	2011		2010	
	Cost	Estimated Market Value	Cost	Estimated Market Value
<i>Unrestricted</i> (Continued):				
Other:				
Asset Allocation Mutual Funds	\$ 29,518	\$ 31,242	\$ 26,524	\$ 28,579
Structured Products	<u>135,000</u>	<u>136,978</u>	<u>110,000</u>	<u>110,000</u>
Total Other	<u>164,518</u>	<u>168,220</u>	<u>136,524</u>	<u>138,579</u>
Total	<u>\$ 1,262,873</u>	<u>\$ 1,278,326</u>	<u>\$ 1,178,950</u>	<u>\$ 1,207,790</u>
Unrealized gains (losses)		\$ (13,388)		\$ 17,544
Realized gains (losses)		<u>(4,169)</u>		<u>4,643</u>
Total realized and unrealized gains (losses) on investments, net		<u>\$ (17,557)</u>		<u>\$ 22,187</u>

NOTE C - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at a financial institution and a security brokerage firm. Accounts at the financial institution are insured by the FDIC up to \$250,000 and the account at the brokerage firm is insured by the SIPC up to \$2,500,000. At December 31, 2011 and 2010, the Foundation's uninsured cash balances totaled \$250,884 and \$124,340, respectively.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

All of the costs associated with fund-raising are determined to be assigned to the fund-raising function, and, therefore, none are allocated to other functional expense categories.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE E - FAIR VALUE MEASUREMENTS

The carrying amounts reported in the statements of financial position for cash and cash equivalents, other current assets, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. Investments are reflected in the accompanying financial statements at fair value.

Generally accepted accounting principles require that the Foundation establish 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) available in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 inputs are unobservable inputs where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The following is a summary of the levels within the fair value hierarchy as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 1,278,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,278,326</u>

NOTE F - INCOME TAX STATUS

ASC Topic 740, *Income Taxes*, provides guidance on financial statement recognition and measurement of tax position taken, or expected to be taken, in tax returns. ASC Topic 740 requires an evaluation of tax positions to determine if the tax positions will more likely than not be sustainable upon examination by the appropriate tax authority. The Foundation, at December 31, 2011, had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's federal tax returns for the year 2008 and subsequent years remain subject to examination by tax authorities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

NOTE G - ACCOUNTS RECEIVABLE

The accounts receivable are due from an outside fund-raising event held in 2011 with the proceeds earned from the event pledged to the Foundation. The proceeds were received by the Foundation in early 2012.