# CATCH-A-DREAM FOUNDATION, INC.

## FINANCIAL STATEMENTS

## AND

## INDEPENDENT AUDITORS' REPORT

## DECEMBER 31, 2012 AND 2011

CATCH-A-DREAM FOUNDATION, INC.

DECEMBER 31, 2012 AND 2011

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# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Catch-A-Dream Foundation, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows, and schedules of functional expenses for the years then ended, and the related notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 purposes 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 Catch-A-Dream Foundation, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

T. E. Lott & Company

Starkville, Mississippi
April 18, 2013

# CATCH-A-DREAM FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

## DECEMBER 31, 2012 AND 2011

| *ASSETS* | 2012 | 2011 |
|---|---|---|
| ***CURRENT ASSETS*** | | |
| Cash and cash equivalents (Note A-5) | $ 270,641 | $ 520,353 |
| Accounts receivable (Note G) | 2,100 | 50,000 |
| Due from officer | - | 3,800 |
| Prepaid expenses | 2,785 | 7,075 |
| Supply inventories (Note A-10) | 15,098 | 10,483 |
| Accrued interest receivable | 6,792 | 6,627 |
| Total current assets | 297,416 | 598,338 |
| ***INVESTMENTS,*** at fair value (Notes A-8, B and E) | 1,409,500 | 1,278,326 |
| ***PROPERTY*** (Note A-11) | | |
| Building | 255,849 | - |
| Land | 64,500 | - |
| Vehicle | 16,000 | - |
| Furniture | 6,505 | 6,505 |
| Equipment | 15,608 | 18,888 |
| Accumulated depreciation | (19,648) | (18,581) |
| | 338,814 | 6,812 |
| ***OTHER ASSETS*** | 675 | - |
| Total Assets | $ 2,046,405 | $ 1,883,476 |

| *LIABILITIES AND NET ASSETS* | 2012 | 2011 |
|---|---|---|
| ***CURRENT LIABILITIES*** | | |
| Accounts payable | $ 18,345 | $ 13,794 |
| Payroll taxes payable | 2,305 | - |
| Due to Mississippi State University (Note A-3) | 58,486 | 51,377 |
| Accrued pending dream costs (Note A-9) | 39,519 | 38,443 |
| Total current liabilities | 118,655 | 103,614 |
| ***NET ASSETS*** (Note A-2) | | |
| Unrestricted | 1,927,750 | 1,779,862 |
| Total net assets | 1,927,750 | 1,779,862 |
| Total Liabilities and Net Assets | $ 2,046,405 | $ 1,883,476 |

The accompanying notes are an integral part of these statements.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

## FOR THE YEAR ENDED DECEMBER 31, 2012

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| ***REVENUES*** | | | |
| Contributions (Notes A-4 and A-6) | $ 588,117 | $ 229,191 | $ 817,308 |
| Special event revenue | 135,452 | - | 135,452 |
| Less cost of direct benefit to donor | (88,225) | - | (88,225) |
| | 47,227 | - | 47,227 |
| Investment income (Note A-8) | 44,198 | - | 44,198 |
| Realized and unrealized gains on investments (Notes A-8 and B) | 46,514 | - | 46,514 |
| Net assets released from restrictions (Note A-6) | 229,191 | (229,191) | - |
| Total revenues | 955,247 | - | 955,247 |
| ***EXPENSES*** (Note A-7) | | | |
| *Program services* | 500,253 | - | 500,253 |
| *Supporting services* | | | |
| Management and general | 269,481 | - | 269,481 |
| Fund-raising | 37,625 | - | 37,625 |
| Total supporting services | 307,106 | - | 307,106 |
| Total expenses | 807,359 | - | 807,359 |
| Change in net assets | 147,888 | - | 147,888 |
| Net assets, beginning of year | 1,779,862 | - | 1,779,862 |
| Net assets, end of year | $ 1,927,750 | $ - | $ 1,927,750 |

The accompanying notes are an integral part of this statement.

# CATCH-A-DREAM FOUNDATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| ***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 | (91,471) | - | (91,471) |
| | 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) | 251,758 | (251,758) | - |
| Total revenues | 997,680 | - | 997,680 |
| ***EXPENSES*** (Note A-7) | | | |
| *Program services* | 595,786 | - | 595,786 |
| *Supporting services* | | | |
| Management and general | 125,994 | - | 125,994 |
| Fund-raising | 36,160 | - | 36,160 |
| Total supporting services | 162,154 | - | 162,154 |
| Total expenses | 757,940 | - | 757,940 |
| Change in net assets | 239,740 | - | 239,740 |
| Net assets, beginning of year | 1,540,122 | - | 1,540,122 |
| Net assets, end of year | $ 1,779,862 | $ - | $ 1,779,862 |

The accompanying notes are an integral part of this statement.

## STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| ***CASH FLOWS FROM OPERATING ACTIVITIES*** | | |
| Change in net assets | $ 147,888 | $ 239,740 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Unrealized (gains) losses | (37,584) | 13,388 |
| Realized (gains) losses | (8,930) | 4,169 |
| In-kind donations of fixed assets | (21,812) | - |
| Loss on disposal of fixed assets | 859 | - |
| Depreciation | 3,488 | 3,736 |
| (Increase) decrease in accounts receivable | 47,900 | (50,000) |
| (Increase) decrease in due from officer | 3,800 | (3,800) |
| (Increase) decrease in supply inventories | (4,615) | 472 |
| Decrease in prepaid expenses | 4,290 | 600 |
| Increase in accrued interest receivable | (165) | (41) |
| Increase in other assets | (675) | - |
| Increase (decrease) in accounts payable | 4,551 | (616) |
| Increase in payroll taxes payable | 2,305 | - |
| Increase in due to Mississippi State University | 7,109 | 4,698 |
| Increase (decrease) in accrued pending dream costs | 1,076 | (44,733) |
| Net cash provided by operating activities | 149,485 | 167,613 |
| ***CASH FLOWS FROM INVESTING ACTIVITIES*** | | |
| Purchase of investments | (640,919) | (505,744) |
| Proceeds from sale of securities and principal paydowns | 556,258 | 417,651 |
| Purchase of fixed assets | (314,536) | - |
| Net cash used in investing activities | (399,197) | (88,093) |
| Net increase (decrease) in cash and cash equivalents | (249,712) | 79,520 |
| Cash and cash equivalents at beginning of year | 520,353 | 440,833 |
| Cash and cash equivalents at end of year | $ 270,641 | $ 520,353 |

The accompanying notes are an integral part of these statements.

# CATCH-A-DREAM FOUNDATION, INC.



## SCHEDULE OF FUNCTIONAL EXPENSES

## FOR THE YEAR ENDED DECEMBER 31, 2012

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund-raising | Total |
|---|---|---|---|---|
| Direct costs of dreams | $ 122,675 | $ - | $ - | $ 122,675 |
| Reimbursement for services provided by MSU | 178,524 | 68,065 | 34,416 | 281,005 |
| Marketing and promotional expense | - | 9,664 | - | 9,664 |
| Professional fees | - | 15,067 | - | 15,067 |
| Bank, credit card, and investment fees | - | 2,964 | - | 2,964 |
| Depreciation | - | 3,488 | - | 3,488 |
| Donor and volunteer recognition | - | 1,006 | - | 1,006 |
| Fees | - | 3,572 | - | 3,572 |
| Insurance | 3,835 | 2,579 | 3,033 | 9,447 |
| Miscellaneous | - | 6,575 | 176 | 6,751 |
| Office supplies | - | 3,602 | - | 3,602 |
| Printing | - | 636 | - | 636 |
| Dues and fees | 3,414 | 395 | - | 3,809 |
| Guide expenses | 11,508 | - | - | 11,508 |
| Clothing | 14,967 | - | - | 14,967 |
| Postage/delivery costs | 9,508 | 1,078 | - | 10,586 |
| Plaques | 5,760 | - | - | 5,760 |
| Employee benefit expense (Note H) | - | 143,767 | - | 143,767 |
| Taxes | - | 1,219 | - | 1,219 |
| Telephone | - | 4,810 | - | 4,810 |
| Travel | 150,062 | 994 | - | 151,056 |
| Total | $ 500,253 | $ 269,481 | $ 37,625 | $ 807,359 |

# CATCH-A-DREAM FOUNDATION, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

## FOR THE YEAR ENDED DECEMBER 31, 2011

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund-raising | Total |
|---|---|---|---|---|
| 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 | 163,845 | 548 | - | 164,393 |
| Total | $ 595,786 | $ 125,994 | $ 36,160 | $ 757,940 |

## *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 worked in cooperation with the Mississippi State University Extension Service for the years ended December 31, 2012 and 2011. As of January 1, 2013, the Foundation became independent of 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).

***NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

*3.* ***Related Party Transactions*** (Continued)

The Foundation had a Memorandum of Agreement with the University through December 31, 2012. This agreement stated that the University would 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 also provided the Foundation with an office and utilities (excluding long distance phone service). Additionally, the University provided equipment needs on a request basis. As of January 1, 2013, the Foundation is independent of the University and has relocated to a facility off campus. Additionally, all members of the staff have left University employment and have assumed appointments as employees of the Foundation. The University will continue to provide information technology support to the Foundation through June 30, 2013, through a grant in the amount of $3,866.

*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 that are included in the accompanying statements of activities and changes in net assets at an estimated fair market value of $226,805 and $304,213 during 2012 and 2011, 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.

***NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

***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 grants 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.

*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, 2012 and 2011, the Foundation had nine reportable pending dreams, recorded in the accompanying statements of financial position.

## *NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (Continued)

### *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:

| | |
|---|---|
| Building | 39 years |
| Equipment | 5 years |
| Furniture and Vehicle | 7 years |

Depreciation expense was $3,488 and $3,736 for the years ended December 31, 2012 and 2011, respectively.

### *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 April 18, 2013, the date the financial statements were available to be issued. See Note I for further discussion of subsequent events.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

*NOTE B - INVESTMENTS*

Investments were stated at fair value and consisted of the following at December 31, 2012 and 2011:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Cost | Estimated Market Value | Cost | Estimated Market Value |
| ***Unrestricted:*** | | | | |
| Fixed Income: | | | | |
| Certificates of Deposit | $ 19,980 | $ 20,000 | $ - | $ - |
| Agency Securities | 107,746 | 109,650 | 193,603 | 192,811 |
| Taxable Bond Mutual Funds | 29,917 | 31,348 | 28,248 | 28,711 |
| Corporate Bonds | 303,806 | 313,228 | 355,093 | 350,202 |
| Mortgage Backed Securities | 192,225 | 190,226 | 246,045 | 244,060 |
| Preferred Trust Securities | 31,535 | 30,768 | 47,438 | 50,607 |
| Other Securities | 185,096 | 191,132 | 78,723 | 83,421 |
| Total Fixed Income | 870,305 | 886,352 | 949,150 | 949,812 |
| Equities: | | | | |
| Stock Mutual Funds | 183,197 | 211,956 | 149,205 | 160,294 |
| Preferred Stocks | 37,581 | 37,112 | - | - |
| Total Equities | 220,778 | 249,068 | 149,205 | 160,294 |
| Other: | | | | |
| Asset Allocation Mutual Funds | 35,723 | 39,718 | 29,518 | 31,242 |
| Structured Products | 229,657 | 234,362 | 135,000 | 136,978 |
| Total Other | 265,380 | 274,080 | 164,518 | 168,220 |
| Total | $ 1,356,463 | $ 1,409,500 | $ 1,262,873 | $ 1,278,326 |

| | 2012 | 2011 |
|---|---|---|
| Unrealized gains (losses) | $ 37,584 | $ (13,388) |
| Realized gains (losses) | 8,930 | (4,169) |
| Total realized and unrealized gains (losses) on investments, net | $ 46,514 | $ (17,557) |

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

## *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, 2012 and 2011, the Foundation's uninsured cash balances totaled $-0- and $250,884, 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.

## *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.

***NOTE E - FAIR VALUE MEASUREMENTS*** (Continued)

The following is a summary of the levels within the fair value hierarchy as of December 31, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments | $ 1,409,500 | $ - | $ - | $ 1,409,500 |

***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, 2012, 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 2009 and subsequent years remain subject to examination by tax authorities.

***NOTE G - ACCOUNTS RECEIVABLE***

The accounts receivable at December 31, 2011, were 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.

***NOTE H - EMPLOYEE BENEFIT EXPENSE***

The Board of Directors approved the purchase of out-of-state years of service for the Executive Director, to be added to his years of credit to the retirement formula in the PERS system in the State of Mississippi, in order to facilitate the transition from his employment with the University. This one-time employer-provided benefit totaled $143,767 for the year ended December 31, 2012.

***NOTE I - SUBSEQUENT EVENT***

The Foundation has received a pledge from an individual donor to give $100,000 in 2013, and $100,000 per year for the years 2014 and 2015 to replenish the funds used for the purchase of the new facilities. This pledge will be recognized as revenue in the year 2013.