

**CATCH-A-DREAM FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2016 AND 2015**

**CATCH-A-DREAM FOUNDATION, INC.**

**DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

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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, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows, for the years then ended, and the related notes to 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 auditors consider 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.



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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, 2016 and 2015, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 7 and 8 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Matter - Restatement***

As discussed in Note J to the financial statements, certain errors resulting in overstatement of amounts previously reported for investments and investment income as of December 31, 2015, were discovered during the current year. Accordingly, amounts reported for investments and investment income have been restated in the 2015 financial statements now presented, and an adjustment has been made to unrestricted net assets as of January 1, 2016, to correct the error. Our opinion is not modified with respect to this matter.



Starkville, Mississippi  
June 30, 2017

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| <i>ASSETS</i>                             | 2016                | (Restated)<br>2015  |
|---|---------------------|---------------------|
| <b><i>CURRENT ASSETS</i></b>              |                     |                     |
| Cash and cash equivalents                 | \$ 531,506          | \$ 578,197          |
| Accounts receivable                       | 1,525               | 675                 |
| Prepaid expenses                          | 8,774               | 9,026               |
| Supply inventories                        | 5,711               | 12,916              |
| Accrued interest receivable               | 6,523               | 22,680              |
| Total current assets                      | <u>554,039</u>      | <u>623,494</u>      |
| <b><i>INVESTMENTS</i></b> , at fair value | 1,747,078           | 1,568,393           |
| <b><i>PROPERTY</i></b>                    |                     |                     |
| Building                                  | 351,834             | 351,834             |
| Land                                      | 70,722              | 70,722              |
| Vehicle                                   | 16,000              | 16,000              |
| Furniture                                 | 16,821              | 9,691               |
| Equipment                                 | 52,566              | 48,366              |
| Accumulated depreciation                  | <u>(88,786)</u>     | <u>(68,020)</u>     |
|   | 419,157             | 428,593             |
| <b><i>OTHER ASSETS</i></b>                |                     |                     |
|   | <u>675</u>          | <u>675</u>          |
| Total Assets                              | <u>\$ 2,720,949</u> | <u>\$ 2,621,155</u> |
| <b><i>LIABILITIES AND NET ASSETS</i></b>  |                     |                     |
| <b><i>CURRENT LIABILITIES</i></b>         |                     |                     |
| Accounts payable                          | \$ 8,353            | \$ 7,463            |
| Accrued liabilities                       | 7,693               | 5,027               |
| Accrued pending dream costs               | 13,500              | 13,500              |
| Total current liabilities                 | <u>29,546</u>       | <u>25,990</u>       |
| <b><i>NET ASSETS</i></b>                  |                     |                     |
| Unrestricted                              | <u>2,691,403</u>    | <u>2,595,165</u>    |
| Total Liabilities and Net Assets          | <u>\$ 2,720,949</u> | <u>\$ 2,621,155</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, 2016

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|---------------------|
| <b>REVENUES</b>                                   |                     |                                   |                     |
| Contributions                                     | \$ 875,380          | \$ -                              | \$ 875,380          |
| Special event revenue                             | 151,146             | -                                 | 151,146             |
| Less cost of direct benefit to donor              | <u>(110,015)</u>    | <u>-</u>                          | <u>(110,015)</u>    |
|   | 41,131              | -                                 | 41,131              |
| Investment income                                 | 35,088              | -                                 | 35,088              |
| Realized and unrealized gains on investments, net | <u>69,887</u>       | <u>-</u>                          | <u>69,887</u>       |
| Total revenues                                    | 1,021,486           | -                                 | 1,021,486           |
| <b>EXPENSES</b>                                   |                     |                                   |                     |
| Program services                                  | 598,137             | -                                 | 598,137             |
| Supporting services:                              |                     |                                   |                     |
| Management and general                            | 237,969             | -                                 | 237,969             |
| Fund-raising                                      | <u>89,142</u>       | <u>-</u>                          | <u>89,142</u>       |
| Total supporting services                         | <u>327,111</u>      | <u>-</u>                          | <u>327,111</u>      |
| Total expenses                                    | <u>925,248</u>      | <u>-</u>                          | <u>925,248</u>      |
| Change in net assets                              | 96,238              | -                                 | 96,238              |
| Net assets, beginning of year                     | <u>2,595,165</u>    | <u>-</u>                          | <u>2,595,165</u>    |
| Net assets, end of year                           | <u>\$ 2,691,403</u> | <u>\$ -</u>                       | <u>\$ 2,691,403</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, 2015

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>(Restated)<br/>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------|
| <b>REVENUES</b>                                    |                     |                                   |                             |
| Contributions                                      | \$ 767,226          | \$ -                              | \$ 767,226                  |
| Special event revenue                              | 134,784             | -                                 | 134,784                     |
| Less cost of direct benefit to donor               | <u>(110,479)</u>    | <u>-</u>                          | <u>(110,479)</u>            |
|  | 24,305              | -                                 | 24,305                      |
| Investment income                                  | 34,059              | -                                 | 34,059                      |
| Realized and unrealized losses on investments, net | (36,890)            | -                                 | (36,890)                    |
| Net assets released from restrictions              | <u>100,000</u>      | <u>(100,000)</u>                  | <u>-</u>                    |
| Total revenues                                     | 888,700             | (100,000)                         | 788,700                     |
| <b>EXPENSES</b>                                    |                     |                                   |                             |
| Program services                                   | 518,533             | -                                 | 518,533                     |
| Supporting services:                               |                     |                                   |                             |
| Management and general                             | 245,834             | -                                 | 245,834                     |
| Fund-raising                                       | <u>68,796</u>       | <u>-</u>                          | <u>68,796</u>               |
| Total supporting services                          | <u>314,630</u>      | <u>-</u>                          | <u>314,630</u>              |
| Total expenses                                     | <u>833,163</u>      | <u>-</u>                          | <u>833,163</u>              |
| Change in net assets                               | 55,537              | (100,000)                         | (44,463)                    |
| Net assets, beginning of year                      | <u>2,539,628</u>    | <u>100,000</u>                    | <u>2,639,628</u>            |
| Net assets, end of year                            | <u>\$ 2,595,165</u> | <u>\$ -</u>                       | <u>\$ 2,595,165</u>         |

The accompanying notes are an integral part of this statement.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

|  | <u>2016</u>       | (Restated)<br><u>2015</u> |
|--|-------------------|---------------------------|
| <b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>   |                   |                           |
| Change in net assets   | \$ 96,238         | \$ (44,463)               |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |                   |                           |
| Unrealized (gains) losses  | (71,077)          | 73,877                    |
| Realized (gains) losses  | 1,190             | (36,986)                  |
| Depreciation   | 20,766            | 19,756                    |
| (Increase) decrease in accounts receivable   | (850)             | 110,275                   |
| (Increase) decrease in supply inventories  | 7,205             | (7,355)                   |
| (Increase) decrease in prepaid expenses  | 252               | (3,795)                   |
| Decrease in accrued interest receivable  | 16,157            | 11,938                    |
| Increase in accounts payable   | 890               | 1,356                     |
| Increase (decrease) in accrued liabilities   | 2,666             | (1,175)                   |
| Increase in accrued pending dream costs  | -                 | 3,000                     |
|  | <u>73,437</u>     | <u>126,428</u>            |
| <b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>   |                   |                           |
| Purchase of investments  | (381,348)         | (463,380)                 |
| Proceeds from sale of securities and principal paydowns  | 272,550           | 391,518                   |
| Purchase of fixed assets   | <u>(11,330)</u>   | <u>(20,477)</u>           |
| Net cash used in investing activities  | <u>(120,128)</u>  | <u>(92,339)</u>           |
| Net increase (decrease) in cash and cash equivalents   | (46,691)          | 34,089                    |
| Cash and cash equivalents at beginning of year   | <u>578,197</u>    | <u>544,108</u>            |
| Cash and cash equivalents at end of year   | <u>\$ 531,506</u> | <u>\$ 578,197</u>         |

The accompanying notes are an integral part of these statements.



## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

|  | Program<br>Services | Supporting Services       |                  | Total             |
|--|---------------------|---------------------------|------------------|-------------------|
|  |                     | Management<br>and General | Fund-raising     |                   |
| Bank, credit card, and investment fees | \$ -                | \$ 2,618                  | \$ -             | \$ 2,618          |
| Clothing                               | 8,074               | -                         | -                | 8,074             |
| Depreciation                           | -                   | 20,766                    | -                | 20,766            |
| Direct costs of dreams                 | 211,289             | -                         | -                | 211,289           |
| Donor and volunteer recognition        | -                   | 6,047                     | -                | 6,047             |
| Dues and subscriptions                 | -                   | 7,550                     | -                | 7,550             |
| Fees                                   | -                   | 1,773                     | -                | 1,773             |
| Gifts-in-kind                          | 9,550               | -                         | 18,472           | 28,022            |
| Insurance                              | 2,210               | 28,256                    | 1,889            | 32,355            |
| Marketing and promotional expense      | -                   | -                         | 17,494           | 17,494            |
| Occupancy                              | -                   | 7,619                     | -                | 7,619             |
| Office expense                         | -                   | 16,295                    | 10,867           | 27,162            |
| Plaques                                | 9,358               | -                         | -                | 9,358             |
| Postage/delivery costs                 | 1,870               | 4,952                     | -                | 6,822             |
| Professional fees                      | -                   | 13,934                    | -                | 13,934            |
| Repairs and maintenance                | -                   | 8,598                     | -                | 8,598             |
| Retirement                             | -                   | 9,454                     | -                | 9,454             |
| Salaries                               | 201,266             | 77,350                    | 36,609           | 315,225           |
| Taxes                                  | -                   | 23,062                    | -                | 23,062            |
| Telephone                              | -                   | 7,192                     | -                | 7,192             |
| Travel                                 | 154,520             | 2,503                     | 3,811            | 160,834           |
| <b>Total</b>                           | <b>\$ 598,137</b>   | <b>\$ 237,969</b>         | <b>\$ 89,142</b> | <b>\$ 925,248</b> |

The accompanying notes are an integral part of this schedule.

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

|  | Program<br>Services | Supporting Services       |                  | (Restated)<br>Total |
|--|---------------------|---------------------------|------------------|---------------------|
|  |                     | Management<br>and General | Fund-raising     |                     |
| Bank, credit card, and investment fees | \$ -                | \$ 5,950                  | \$ -             | \$ 5,950            |
| Clothing                               | 12,576              | 1,833                     | -                | 14,409              |
| Depreciation                           | -                   | 19,756                    | -                | 19,756              |
| Direct costs of dreams                 | 187,616             | -                         | -                | 187,616             |
| Donor and volunteer recognition        | -                   | 6,956                     | -                | 6,956               |
| Dues and subscriptions                 | -                   | 6,797                     | -                | 6,797               |
| Fees                                   | -                   | 1,427                     | -                | 1,427               |
| Gifts-in-kind                          | -                   | -                         | 6,752            | 6,752               |
| Insurance                              | 1,129               | 31,492                    | 3,776            | 36,397              |
| Marketing and promotional expense      | -                   | -                         | 8,078            | 8,078               |
| Miscellaneous                          | 857                 | -                         | 510              | 1,367               |
| Occupancy                              | -                   | 8,191                     | -                | 8,191               |
| Office expense                         | -                   | 24,610                    | 11,946           | 36,556              |
| Plaques                                | 13,391              | -                         | -                | 13,391              |
| Postage/delivery costs                 | 4,566               | 2,032                     | -                | 6,598               |
| Professional fees                      | -                   | 14,968                    | -                | 14,968              |
| Repairs and maintenance                | -                   | 2,969                     | -                | 2,969               |
| Retirement                             | -                   | 10,990                    | -                | 10,990              |
| Salaries                               | 181,724             | 73,558                    | 34,931           | 290,213             |
| Taxes                                  | -                   | 22,681                    | -                | 22,681              |
| Telephone                              | -                   | 7,465                     | -                | 7,465               |
| Travel                                 | 116,674             | 4,159                     | 2,803            | 123,636             |
| <b>Total</b>                           | <b>\$ 518,533</b>   | <b>\$ 245,834</b>         | <b>\$ 68,796</b> | <b>\$ 833,163</b>   |

The accompanying notes are an integral part of this schedule.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**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 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 and changes in net assets as net assets released from restrictions.

**3. 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 \$244,434 and \$218,885 during 2016 and 2015, respectively, which met the previously discussed criteria.

**4. 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.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**5. 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 and changes in net assets as net assets released from restrictions.

**6. 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.

**7. 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.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**8. 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, 2016 and 2015, the Foundation had three reportable pending dreams recorded in the accompanying statements of financial position.

**9. Supply Inventories**

Supply inventories consist mainly of 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.

**10. 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 \$20,766 and \$19,756 for the years ended December 31, 2016 and 2015, respectively.

**11. 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.

**12. Subsequent Events**

Management has evaluated the effect of subsequent events on these financial statements through June 30, 2017, the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE B - INVESTMENTS**

Investments were stated at fair value and consisted of the following at December 31, 2016 and 2015:

|  | 2016                |                              | 2015                |                              |
|--|---------------------|------------------------------|---------------------|------------------------------|
|  | Cost                | Estimated<br>Market<br>Value | Cost                | Estimated<br>Market<br>Value |
| <b>Unrestricted:</b>   |                     |                              |                     |                              |
| Fixed Income:  |                     |                              |                     |                              |
| Certificates of Deposit  | \$ 125,326          | \$ 130,593                   | \$ 182,761          | \$ 180,320                   |
| Agency Securities  | 35,000              | 35,471                       | 75,188              | 75,090                       |
| Corporate Bonds  | 171,196             | 171,544                      | 266,727             | 265,769                      |
| Mortgage Backed Securities                                     | 42,726              | 42,526                       | 63,722              | 61,942                       |
| Municipal Bonds  | 468,022             | 478,469                      | 469,924             | 478,681                      |
| Other Securities   | <u>48,238</u>       | <u>46,966</u>                | <u>48,052</u>       | <u>45,664</u>                |
| Total Fixed Income   | 890,508             | 905,569                      | 1,106,374           | 1,107,466                    |
| Equities:  |                     |                              |                     |                              |
| Stock Mutual Funds   | 466,515             | 530,065                      | 408,311             | 431,326                      |
| Exchange-Traded Products                                       | <u>295,119</u>      | <u>311,444</u>               | <u>29,849</u>       | <u>29,601</u>                |
| Total Equities   | <u>761,634</u>      | <u>841,509</u>               | <u>438,160</u>      | <u>460,927</u>               |
| Total  | <u>\$ 1,652,142</u> | <u>\$ 1,747,078</u>          | <u>\$ 1,544,534</u> | <u>\$ 1,568,393</u>          |
| Unrealized gains (losses)                                      |                     | \$ 71,077                    |                     | \$ (73,877)                  |
| Realized gains (losses)  |                     | <u>(1,190)</u>               |                     | <u>36,987</u>                |
| Total realized and unrealized<br>gains (losses) on investments |                     | <u>\$ 69,887</u>             |                     | <u>\$ (36,890)</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, 2016 and 2015, the Foundation's uninsured cash balances totaled \$95,834 and \$86,330, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

***NOTE D - CONCENTRATION OF DONOR RISK***

The Foundation receives a substantial portion of its contributions from three donors. Management believes these donors can be replaced, although not immediately. For the years ended December 31, 2016 and 2015, the three donors contributed \$209,100 and \$250,000, or 24% and 33%, respectively, of total contributions.

***NOTE E - 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 F - 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.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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

The following is a summary of the levels within the fair value hierarchy as of December 31, 2016:

|             | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
|-------------|---------------------|----------------|----------------|---------------------|
| Investments | <u>\$ 1,747,078</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,747,078</u> |

**NOTE G - INCOME TAX STATUS**

ASC Topic 740, *Income Taxes*, provides guidance on financial statement recognition and measurement of tax positions 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, 2016, 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 2013 and subsequent years remain subject to examination by tax authorities.

**NOTE H - RETIREMENT PLAN**

The Catch-A-Dream Foundation sponsors a retirement plan that covers all full-time employees with a minimum of six months employment. Contributions to the plan are based on a dollar-for-dollar match up to 3% of compensation. For the years ended December 31, 2016 and 2015, the amount of retirement expense was \$9,454 and \$10,990, respectively.

**NOTE I - RECLASSIFICATIONS**

Certain reclassifications have been made to the 2015 financial statements to conform with classifications used in 2016.



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

*NOTE J - PRIOR PERIOD ADJUSTMENTS*

During the course of our audit, we identified one instance that necessitated prior period adjustments for the year ended December 31, 2015. A description of the adjustment is presented below:

*Adjustment - Investments*

For the year ended December 31, 2015, the investments were overstated by the amount of cash equivalents, \$22,381. The associated investment income was also overstated by the same amount. As a result, the restated statement of financial position reflects a reduction in investments of \$22,381. Also, the statement of activities reflects a decrease in investment income of \$22,381.

