

U.S. Dream Academy, Inc.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2015 and 2014



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRICpa.com | blog.cricpa.com



U.S. Dream Academy, Inc.
Table of Contents
December 31, 2015 and 2014

REPORT

Independent Auditor's Report	1
------------------------------	---

FINANCIAL STATEMENTS

Statements of Financial Position as of December 31, 2015 and 2014	3
---	---

Statements of Activities and Changes in Net Assets for the years ended December 31, 2015 and 2014	4
--	---

Statements of Cash Flows for the years ended December 31, 2015 and 2014	5
---	---

Notes to the Financial Statements	6
-----------------------------------	---

SUPPLEMENTARY INFORMATION

Schedules of Functional Expenses for the years ended December 31, 2015 and 2014	11
---	----



Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
U.S. Dream Academy, Inc.
Columbia, Maryland

We have audited the accompanying financial statements of U.S. Dream Academy, Inc. (the "Academy"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows 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.

Auditor's 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 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 Academy'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 Academy'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 U.S. Dream Academy, Inc. as of December 31, 2015 and 2014, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses are also 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 audit 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.

Case, Riggs & Ingram, L.L.C.

Houston, Texas
April 28, 2016

U.S. Dream Academy, Inc.
Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 304,759	\$ 640,773
Grants receivable	83,379	155,860
Pledges receivable	984,158	302,704
Prepaid expenses	50,166	29,139
Inventory	19,078	19,123
Deposits and other assets	7,557	10,767
Property and equipment, net	1,902	12,633
Total assets	\$ 1,450,999	\$ 1,170,999
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 65,036	\$ 95,476
Payroll related liabilities	26,488	17,606
Deferred revenue	211,207	124,184
Line of credit	58,265	64,586
Total liabilities	360,996	301,852
Commitments and contingencies		
Net assets		
Unrestricted	994,809	738,147
Temporarily restricted	95,194	131,000
Total net assets	1,090,003	869,147
Total liabilities and net assets	\$ 1,450,999	\$ 1,170,999

The accompanying notes are an integral part of these financial statements.

U.S. Dream Academy, Inc.
Statements of Activities and Changes in Net Assets

For the years ended December 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and income						
Government and local grants	\$ 638,173	\$ -	\$ 638,173	\$ 221,717	\$ -	\$ 221,717
Contributions	1,705,810	21,017	1,726,827	1,624,562	93,284	1,717,846
Special event, less direct donor benefit costs of \$66,000 for 2015 and \$63,000 for 2014, respectively	727,841	24,301	752,142	997,191	49,531	1,046,722
Publications and other	7,724	-	7,724	8,999	-	8,999
Investment income	32	-	32	119	-	119
Total support and income	3,079,580	45,318	3,124,898	2,852,588	142,815	2,995,403
Net assets released from restrictions	81,124	(81,124)	-	204,240	(204,240)	-
Total support and income	3,160,704	(35,806)	3,124,898	3,056,828	(61,425)	2,995,403
Expenses						
Learning centers	1,948,797	-	1,948,797	1,880,587	-	1,880,587
Management and general	363,806	-	363,806	371,983	-	371,983
Fundraising	591,439	-	591,439	658,519	-	658,519
Total expenses	2,904,042	-	2,904,042	2,911,089	-	2,911,089
Increase (decrease) in net assets	256,662	(35,806)	220,856	145,739	(61,425)	84,314
Net assets at beginning of year	738,147	131,000	869,147	592,408	192,425	784,833
Net assets at end of year	\$ 994,809	\$ 95,194	\$ 1,090,003	\$ 738,147	\$ 131,000	\$ 869,147

The accompanying notes are an integral part of these financial statements.

U.S. Dream Academy, Inc.
Statements of Cash Flows

<i>For the years ended December 31,</i>	2015	2014
Operating activities		
Change in net assets	\$ 220,856	\$ 84,314
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Bad debt expense	22,500	43,200
Depreciation	10,731	17,704
Change in operating assets and liabilities		
Grants receivable	72,481	(111,410)
Pledges receivable	(703,954)	258,596
Prepaid expenses	(21,027)	(12,333)
Inventory	45	1,404
Deposits and other assets	3,210	(3,210)
Accounts payable and accrued expenses	(30,440)	43,862
Payroll related liabilities	8,882	3,127
Deferred revenue	87,023	(148,616)
Net cash (used in) provided by operating activities	(329,693)	176,638
Financing activities		
Net (repayments) borrowing on line of credit	(6,321)	64,586
Net change in cash and cash equivalents	(336,014)	241,224
Cash and cash equivalents at beginning of year	640,773	399,549
Cash and cash equivalents at end of year	\$ 304,759	\$ 640,773
Cash paid for interest	\$ 6,262	2,498

The accompanying notes are an integral part of these financial statements.



U.S. Dream Academy, Inc. Notes to the Financial Statements

NOTE 1: ORGANIZATION

U.S. Dream Academy, Inc. (the “Academy”) was incorporated in the state of Florida on June 5, 1998 to develop and provide after-school learning centers that promote and assist positive youth development for students of incarcerated parents and children falling behind in school. The Academy is currently operating in seven cities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Academy’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Academy had no permanently restricted net assets at December 31, 2015 and 2014.

Cash Equivalents

The Academy considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents.

Cash Concentration

The Academy maintains cash accounts at various banks, which at times, may exceed the Federal Deposit Insurance Corporation’s limit. The Board has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash accounts, due to the financial strength of the financial institutions where deposits are held.

Grants and Pledges Receivable

The Academy considers all receivables 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.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Receivable amounts are expected to be collected in 2016.

As of December 31, 2015 and 2014, four donors accounted for 85% of pledges receivable and three donors accounted for 95% of pledges receivable, respectively.

Inventory

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. The inventory consists of compact discs, DVDs and books featuring the Academy’s founder.

U.S. Dream Academy, Inc. Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased, or in the case of donated assets, at the estimated fair market value at the date of donation. The Academy capitalizes all expenditures for furniture and equipment in excess of \$1,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Routine maintenance and repair costs are charged to expense in the year incurred.

Contributions

The Academy's contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income is recognized. Support that is restricted by the donor and is to be used in future periods is reported as an increase in temporarily restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

For the years ended December 31, 2015 and 2014, three donors accounted for 57% and 62% of Contributions, respectively.

Government and Local Grants

Government grants are recognized when the related services are provided. Advances received from grants in excess of reimbursable costs incurred are recorded as refundable advances.

Deferred Revenue

Contributions received for the benefit of fundraising events and other revenues relating to periods after December 31, 2015, have been deferred to the subsequent fiscal year.

Donated Services

The Academy recognizes donated services at their fair value in the period received if the services received create or enhance nonfinancial assets that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers make significant contributions of their time to develop the Academy's programs. The value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset. Donated rent, donated professional services (travel), and donated snacks however, are reflected in the financial statements as contribution income and program expense at the estimated fair value. The Academy recognized \$123,269 and \$127,408 of in-kind rent for its learning centers for the years ended December 31, 2015 and 2014, respectively. Additionally, the Academy recognized \$24,800 and \$58,000 of travel expenses and \$87,520 and \$103,025 of donated snacks, respectively, for the years ended December 31, 2015 and 2014.



U.S. Dream Academy, Inc. Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various program 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 directly benefited, or upon management's estimates of the proportion of these costs applicable to each function.

Income Taxes

The Academy is a non-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Academy was granted an individual ruling under the same section and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and, as such, qualifies for the charitable contribution deduction for individual donors.

The Academy accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2015, management believes there were no uncertain tax positions.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Actual results could differ from those estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of grants and pledges receivable and allocation of expense by function. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Fair Value Considerations

The Academy uses fair value to measure financial assets and liabilities and certain nonfinancial assets and liabilities. The Academy's financial instruments (primarily cash and cash equivalents, payables and accruals) are carried in the accompanying statements of financial position at amounts which approximate fair value.

Subsequent Events

The Academy has evaluated subsequent events through the date the financial statements were available for issuance on April 28, 2016. No matters were identified affecting the accompanying financial statements and related disclosures.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassification had no effect on changes in net assets.

U.S. Dream Academy, Inc.
Notes to the Financial Statements

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2015	2014
Computers and equipment	\$ 323,180	\$ 323,180
Office furniture	33,028	33,028
	356,208	356,208
Accumulated depreciation	(354,306)	(343,575)
	\$ 1,902	\$ 12,633

Depreciation expense for the years ended December 31, 2015 and 2014 totaled \$10,731 and \$17,704, respectively.

NOTE 4: LINE OF CREDIT AGREEMENT

During 2012, the Academy established a line of credit agreement with a bank which provides for maximum borrowings of \$100,000. The annual interest rate is 10% and is payable in monthly installments. As of December 31, 2015 and 2014, there was an outstanding balance of \$58,265 and \$64,586, respectively.

NOTE 5: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets totaling \$81,124 and \$204,240 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors for the years ended December 31, 2015 and 2014, respectively.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for use in subsequent years' activities for the following centers:

<i>December 31,</i>	2015	2014
Charlotte, North Carolina	\$ 81,000	\$ 81,000
Indianapolis, Indiana	14,194	50,000
	\$ 95,194	\$ 131,000



U.S. Dream Academy, Inc. Notes to the Financial Statements

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Academy receives funding through contracts and grants with departments and agencies of the federal government that are subject to compliance audits by the grantors or their representatives. The disallowance of costs could adversely affect the Academy's financial statements by reducing estimated reimbursable costs and, thus, grant revenue. Management believes, however, that adjustments by government auditors, if any, will not be material to the financial statements.

NOTE 8: RETIREMENT PLAN

The Academy maintains a defined contribution retirement plan as defined under Section 401(k) of the U.S. Internal Revenue Code offered to substantially all employees. During 2008, the Academy organized and adopted a defined contribution retirement plan as defined under Section 403(b) of the U.S. Internal Revenue Code. Both plans are funded solely by employee contributions to the plans, pursuant to a salary reduction agreement.

NOTE 9: OPERATING LEASES

The Academy leases office space in Columbia, Maryland for its business office and headquarters expiring in August 2016. Future minimum lease payments for the noncancellable lease are \$52,958 for the year ended December 31, 2016.

Rent expense for the Academy's headquarters and its other locations that house its learning centers, excluding in-kind rent (Note 2), was approximately \$78,000 and \$81,000 for the years ended December 31, 2015 and 2014, respectively.

SUPPLEMENTARY INFORMATION

U.S. Dream Academy, Inc.
Schedule of Functional Expenses

<i>For the year ended December 31, 2015</i>	Learning Centers	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,093,051	\$ 129,662	\$ 245,926	\$ 1,468,639
Payroll taxes	79,659	7,441	19,279	106,379
Program expenses	374,505	-	-	374,505
General office expenses	78,019	72,857	19,623	170,499
Rent	187,384	8,953	3,846	200,183
Utilities	27,316	3,814	1,639	32,769
Special events fundraising	-	-	262,031	262,031
Professional fees	108,863	107,848	39,095	255,806
Bad debt expense	-	22,500	-	22,500
Depreciation	-	10,731	-	10,731
	\$ 1,948,797	\$ 363,806	\$ 591,439	\$ 2,904,042

See independent auditor's report.

U.S. Dream Academy, Inc.
Schedule of Functional Expenses

<i>For the year ended December 31, 2014</i>	Learning Centers	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,138,958	\$ 112,285	\$ 334,274	\$ 1,585,517
Payroll taxes	88,758	8,113	25,085	121,956
Program expenses	257,200	-	-	257,200
General office expenses	62,205	72,096	42,956	177,257
Rent	185,094	9,492	14,369	208,955
Utilities	26,272	9,875	1,995	38,142
Special events fundraising	-	-	216,441	216,441
Professional fees	122,100	99,218	23,399	244,717
Bad debt expense	-	43,200	-	43,200
Depreciation	-	17,704	-	17,704
	\$ 1,880,587	\$ 371,983	\$ 658,519	\$ 2,911,089

See independent auditor's report.