



GROSSMAN YANAK & FORD LLP
Certified Public Accountants and Consultants

DREAMS OF HOPE

**Financial Statements as of and for the Years Ended July 31,
2017 and 2016 and Independent Accountants' Review Report**

DREAMS OF HOPE

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Dreams of Hope

We have reviewed the accompanying financial statements of Dreams of Hope (the "Organization", a nonprofit organization), which comprise the statement of financial position as of July 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. We do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2016 Financial Statements

The financial statements of Dreams of Hope as of July 31, 2016, were reviewed by other accountants whose report dated May 5, 2017 stated that, based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Grossman Yanak + Ford LLP

Pittsburgh, Pennsylvania
July 10, 2018

DREAMS OF HOPE

**STATEMENTS OF FINANCIAL POSITION
JULY 31, 2017 AND 2016**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 173,233	\$ 24,439
Grants and pledges receivable	49,050	33,000
Related party pledge receivable	2,500	2,500
Other receivables	1,151	-
Prepaid expenses and other current assets	<u>872</u>	<u>2,065</u>
TOTAL CURRENT ASSETS	226,806	62,004
RELATED PARTY PLEDGE RECEIVABLE	<u>5,000</u>	<u>7,500</u>
TOTAL ASSETS	<u>\$ 231,806</u>	<u>\$ 69,504</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,040	\$ 125
Payroll related liabilities	2,988	13,411
Funds held for others	<u>26</u>	<u>-</u>
TOTAL LIABILITIES	<u>13,054</u>	<u>13,536</u>
NET ASSETS:		
Unrestricted	9,418	(532)
Temporarily restricted	<u>209,334</u>	<u>56,500</u>
TOTAL NET ASSETS	<u>218,752</u>	<u>55,968</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 231,806</u>	<u>\$ 69,504</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Grant income	\$ 119,375	\$ 205,040	\$ 324,415
Contributions	41,722	-	41,722
Special events	23,922	-	23,922
Honoraria and performance fees	6,264	-	6,264
Registration fees	1,150	-	1,150
Merchandise sales	149	-	149
Other	3,979	-	3,979
Net assets released from restrictions	<u>52,206</u>	<u>(52,206)</u>	<u>-</u>
Total revenues and other support	<u>248,767</u>	<u>152,834</u>	<u>401,601</u>
EXPENSES:			
Program expenses	152,657	-	152,657
General and administrative	42,672	-	42,672
Fundraising	<u>43,488</u>	<u>-</u>	<u>43,488</u>
Total expenses	<u>238,817</u>	<u>-</u>	<u>238,817</u>
INCREASE IN NET ASSETS	9,950	152,834	162,784
NET ASSETS, BEGINNING OF YEAR	<u>(532)</u>	<u>56,500</u>	<u>55,968</u>
NET ASSETS, END OF YEAR	<u>\$ 9,418</u>	<u>\$ 209,334</u>	<u>\$ 218,752</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Grant income	\$ 54,654	\$ 90,120	\$ 144,774
Contributions	57,829	-	57,829
Special events	34,663	-	34,663
Honoraria and performance fees	6,327	-	6,327
Registration fees	5,725	-	5,725
Fiscal sponsorship	2,212	-	2,212
Merchandise sales	15	-	15
Net assets released from restrictions	<u>164,454</u>	<u>(164,454)</u>	<u>-</u>
Total revenues and other support	<u>325,879</u>	<u>(74,334)</u>	<u>251,545</u>
EXPENSES:			
Program expenses	257,510	-	257,510
General and administrative	35,536	-	35,536
Fundraising	<u>24,101</u>	<u>-</u>	<u>24,101</u>
Total expenses	<u>317,147</u>	<u>-</u>	<u>317,147</u>
INCREASE (DECREASE) IN NET ASSETS	8,732	(74,334)	(65,602)
NET ASSETS, BEGINNING OF YEAR	<u>(9,264)</u>	<u>130,834</u>	<u>121,570</u>
NET ASSETS, END OF YEAR	<u>\$ (532)</u>	<u>\$ 56,500</u>	<u>\$ 55,968</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JULY 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 81,431	\$ 32,986	\$ 19,224	\$ 133,641
Outside artist	21,150	-	1,975	23,125
Payroll taxes	5,847	3,566	1,318	10,731
Rent	7,964	770	3,410	12,144
Independent contractor	-	300	82	382
Professional fees	6,069	1,476	-	7,545
Travel and meals	5,857	1,292	7,392	14,541
Youth stipend	11,270	-	-	11,270
Other production costs	2,900	-	1,001	3,901
Advertising and marketing	233	-	1,370	1,603
Office expense	1,482	340	1,055	2,877
Insurance	5,842	1,461	-	7,303
Auction expenses	-	-	5,494	5,494
Postage	586	37	77	700
Telephone and internet	1,766	441	-	2,207
Printing and copying	246	-	1,010	1,256
Miscellaneous	<u>14</u>	<u>3</u>	<u>80</u>	<u>97</u>
Total	<u>\$ 152,657</u>	<u>\$ 42,672</u>	<u>\$ 43,488</u>	<u>\$ 238,817</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JULY 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 152,769	\$ 26,088	\$ 9,840	\$ 188,697
Outside artist	15,085	-	200	15,285
Payroll taxes	10,587	1,808	682	13,077
Rent	36,078	734	4,323	41,135
Independent contractor	3,500	-	2,000	5,500
Professional fees	10,331	1,461	300	12,092
Travel and meals	12,235	151	3,353	15,739
Youth stipend	4,530	-	-	4,530
Other production costs	2,925	-	964	3,889
Advertising and marketing	250	-	300	550
Office expense	1,707	3,227	1,449	6,383
Insurance	4,745	1,265	316	6,326
Merchandise	541	-	-	541
Postage	562	39	73	674
Telephone and internet	1,420	379	95	1,894
Printing and copying	245	-	206	451
Miscellaneous	-	384	-	384
Total	<u>\$ 257,510</u>	<u>\$ 35,536</u>	<u>\$ 24,101</u>	<u>\$ 317,147</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 162,784	\$ (65,602)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Grants and pledges receivable	(16,050)	(19,500)
Related party pledge receivable	2,500	(10,000)
Other receivables	(1,151)	2,380
Prepaid expenses	1,193	474
Accounts payable	9,915	(2,172)
Payroll related liabilities	(10,423)	8,726
Funds held for others	<u>26</u>	<u>(400)</u>
 Net cash provided by (used in) operating activities and net increase (decrease) in cash and cash equivalents	 148,794	 (86,094)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>24,439</u>	 <u>110,533</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 173,233</u>	 <u>\$ 24,439</u>

See notes to financial statements and independent accountants' review report.

DREAMS OF HOPE

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations - Dreams of Hope (the "Organization" or "DOH") is a nonprofit creative and performing arts organization for lesbian, gay, bisexual, transgender, queer, questioning, asexual and allied (LGBTQA+) youth.

DOH has two major programs including a performance ensemble for ages 13-21 (theatriQ), and in-school and community-based programs (sQool). All programs and initiatives are led by professional working and teaching artists.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Accordingly, revenues are recognized when earned, and expenditures are recognized when incurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Financial Statement Presentation - U.S. generally accepted accounting principles require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations. Temporarily restricted net assets result from contributions or other inflows of assets use of which is limited by the donor-imposed stipulations that either expire by the passage of time or may be fulfilled and removed by actions of the Organization pursuant of those stipulations. The expiration of temporary restrictions on net assets is reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets result from contributions, grants and other inflows of assets use of which is limited by donor or grantor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets as of July 31, 2017 or 2016.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains at financial institutions cash which may at times exceed federally insured amounts and which may at times exceed statement of financial position amounts due to outstanding checks.

Grants and Pledges Receivable - During 2017 and 2016, DOH was awarded various grants specified to be expended in future fiscal years, a portion of which will not be received until such future fiscal years. These grant revenues have been recorded as temporarily restricted in the fiscal year awarded in the statements of activities, with receivables recorded in the statements of financial position for those amounts to be received in future fiscal years.

Receivables for unconditional promises to give, are shown on the statement of financial position as current or noncurrent based on expected collection. Of the \$7,550 in pledges receivable at July 31, 2017, \$2,550 will be received in fiscal 2018 and \$2,500 in each of the following years through fiscal 2020. The noncurrent amounts were not discounted to net present value due to insignificance.

DOH provides an allowance for uncollectible grants and pledges based on management's evaluation of the receivable. No allowance was considered necessary at July 31, 2017 and 2016.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. At July 31, 2017 and 2016 DOH had no outstanding conditional promises to give.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Donated Services - The Organization records the value of services received when there is an objective basis available to measure their value. Donated services are recorded at fair value when a specialized skill is provided that otherwise would have been purchased. The Organization recognized \$3,250 of donated services for the year ended July 31, 2016 and no such services were provided for the year ended July 31, 2017.

Functional Expenses - Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by DOH management.

Advertising Costs - The Organization expenses advertising costs as incurred and includes in either programming, general and administrative or fundraising expenses in the statement of activities.

Income Taxes - The Organization meets the requirements to be treated as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. Management believes that there is no liability related to uncertain tax positions at July 31, 2017 and 2016. The Organization is no longer subject to tax examinations for years before 2014.

Subsequent Events - Management has evaluated subsequent events through July 10, 2018, the date which the financial statements were available to be issued.

In March 2018, the Organization's Board of Directors approved a proposal that the Organization enter into a line of credit agreement that allows for maximum borrowings of \$15,000. The line of credit is expected to close in July 2018.

2. TEMPORARILY RESTRICTED NET ASSETS

The following chart represents the temporarily restricted net assets as of July 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating Support for Future Periods	\$ 162,000	\$ 26,500
Transformative Arts Process Young Artists	28,040	-
TheatriQ	10,000	-
Sqool	<u>9,294</u>	<u>30,000</u>
Total	<u>\$ 209,334</u>	<u>\$ 56,500</u>

3 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses and satisfying the restricted purposes or by occurrence of other events specified by donors, including but not limited to the following:

	<u>2017</u>	<u>2016</u>
Operating Support for Future Periods	\$ 26,500	\$ 17,000
Sqool	25,706	15,000
TheatriQ	-	50,000
Youth Leadership and Development	-	43,834
Annual Campaign	-	20,000
Qamp	-	18,370
SpeaQ	<u>-</u>	<u>250</u>
Total	<u>\$ 52,206</u>	<u>\$ 164,454</u>

4 COMMITMENTS

DOH is party to a lease agreement that runs month to month. Lease expense for the years ended July 31, 2017 and 2016 was \$3,850 and \$3,670, respectively.

See independent accountants' review report.