

THE DREAMYARD PROJECT, INC.
(a nonprofit organization)
FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The DreamYard Project, Inc.

We have audited the accompanying financial statements of The DreamYard Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 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 purpose 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 The DreamYard Project, Inc. as of June 30, 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.



HARVEY GINSBERG & COMPANY CPA's P.C.

Briarcliff Manor, New York
October 26, 2015

THE DREAMYARD PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2015	2014
Current Assets:		
Cash	\$ 316,535	540,736
Contributions and service fees receivable (allowance for doubtful accounts of zero, both years)	609,598	372,136
Prepaid expense and other current assets	<u>6,827</u>	<u>4,258</u>
Total Current Assets	932,960	917,130
Fixed Assets:		
Furniture and fixtures	71,017	71,017
Equipment	391,093	375,709
Leasehold improvements	105,855	105,855
Less: Accumulated depreciation	<u>(386,520)</u>	<u>(324,751)</u>
	<u>181,445</u>	<u>227,830</u>
TOTAL ASSETS	<u>\$ 1,114,405</u>	<u>1,144,960</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expense	\$ 21,747	32,357
Bridge Loan Payable- Fund for the City of New York	75,000	75,000
Loan Payable to Bank	65,546	5,500
Liability under pass-thru grants	30,227	- 0 -
Unearned grants and program contract fees	- 0 -	<u>100,000</u>
Total Liabilities	<u>192,520</u>	<u>212,857</u>
Net Assets:		
Unrestricted	921,885	932,103
Temporarily restricted	<u>- 0 -</u>	<u>- 0 -</u>
Total Net Assets	<u>921,885</u>	<u>932,103</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,114,405</u>	<u>1,144,960</u>

See accompanying notes to the financial statements.
See accountants' report.

**THE DREAMYARD PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
SUPPORT, REVENUES, & RECLASSIFICATIONS				
Corporate Contributions	\$ 186,096	257,619	443,715	691,015
Government Grants	- 0 -	572,085	572,085	135,288
Foundation Grants	395,924	916,998	1,312,922	1,387,243
Individual Contributions	649,674	51,009	700,683	604,229
Program Service Fees	943,529	- 0 -	943,529	1,026,813
Interest Income	19	- 0 -	19	87
Net Assets Released from Restrictions by Satisfaction of Program Restrictions	<u>1,797,711</u>	<u>(1,797,711)</u>	<u>- 0 -</u>	<u>- 0 -</u>
 TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	 <u>3,972,953</u>	 <u>- 0 -</u>	 <u>3,972,953</u>	 <u>3,844,675</u>
EXPENSES				
Program Expenses:				
Arts-in-education	<u>3,269,292</u>		<u>3,269,292</u>	<u>3,008,171</u>
Total Program Expenses	3,269,292	- 0 -	3,269,292	3,008,171
Support Services:				
General & Administrative	419,451		419,451	418,022
Fundraising	<u>294,428</u>		<u>294,428</u>	<u>303,974</u>
TOTAL EXPENSE	<u>3,983,171</u>	<u>- 0 -</u>	<u>3,983,171</u>	<u>3,730,167</u>
CHANGE IN NET ASSETS-CURRENT YEAR	 (10,218)	 - 0 -	 (10,218)	 114,508
Net Assets, Beginning of Year	<u>932,103</u>	<u>- 0 -</u>	<u>932,103</u>	<u>817,595</u>
Net Assets, End of Year	<u>\$ 921,885</u>	<u>- 0 -</u>	<u>921,885</u>	<u>932,103</u>

See accompanying notes to the financial statements.
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**THE DREAMYARD PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,**

	Program Service Expenses			Total	Total
	Arts-in- Education	General & Administrative	Fundraising	2015	2014
Employee compensation	\$2,244,067	196,460	137,593	2,578,120	2,404,085
Employee benefits and payroll taxes	291,844	36,389	17,890	346,123	350,811
Professional and consulting fees	40,854	20,335	5,955	67,144	137,853
Rent and occupancy	159,320	39,047	97,608	295,975	298,867
Travel	56,147	22,612	591	79,350	79,121
Conferences	27,556	3,186	- 0 -	30,742	6,324
Interest	- 0 -	5,782	- 0 -	5,782	4,890
Depreciation	55,592	6,177	- 0 -	61,769	60,112
Insurance	32,921	23,024	2,018	57,963	40,988
Supplies and equipment rental	213,466	41,328	11,039	265,833	213,127
Stipends and casual labor	101,172	7,232	750	109,154	80,877
Printing and publication	6,962	2,666	9,596	19,224	14,492
Bank and credit card fees	423	2,015	8,273	10,711	9,516
Scholarships awarded	12,816	- 0 -	- 0 -	12,816	3,151
Donations	11,188	- 0 -	- 0 -	11,188	178
Dues and subscriptions	2,041	8,331	55	10,427	11,790
Payroll service fees	12,741	1,112	781	14,634	6,899
Postage and delivery	<u>182</u>	<u>3,755</u>	<u>2,279</u>	<u>6,216</u>	<u>7,086</u>
Total	<u>\$3,269,292</u>	<u>419,451</u>	<u>294,428</u>	<u>3,983,171</u>	<u>3,730,167</u>

See accompanying notes to the financial statements.
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THE DREAMYARD PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (10,218)	114,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	61,769	60,112
Changes in operating assets and liabilities:		
(Increase) decrease in contributions and service fees receivable	(237,462)	135,518
(Increase) decrease in prepaid expense and other current assets	(2,569)	7,858
Increase in liability under pass-thru grants	30,227	- 0 -
(Decrease) increase in accounts payable and accrued expense	(10,610)	30,544
Decrease in unearned program contract fees	<u>(100,000)</u>	- <u>0 -</u>
Net cash (used in) provided by operations	(268,863)	348,540
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(15,384)</u>	<u>(20,792)</u>
Net cash used in investing activities	(15,384)	(20,792)
Cash flows from financing activities:		
Net borrowings under bridge loan arrangement	150,000	150,000
Repayments of bridge loan	(150,000)	(200,000)
Borrowings under line of credit net of repayments	<u>60,046</u>	<u>5,177</u>
Net cash provided (used in) by financing activities	<u>60,046</u>	<u>(44,823)</u>
Net (decrease) increase in cash	(224,201)	282,925
Cash, beginning of year	<u>540,736</u>	<u>257,811</u>
Cash, end of year	<u>\$316,535</u>	<u>540,736</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	<u>\$ 5,782</u>	<u>4,890</u>

See accompanying notes to the financial statements.
See accountants' report.

THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Financial Statement Presentation

As of May 31, 1997, DreamYard adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Tax Status

The DreamYard Project, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. DreamYard has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization's current accounting policy is to disclose liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor is it aware of any exposure to unrelated business income tax.

Unearned Program Contract Fees

On occasion the Organization receives program contract fees in advance of when the services are provided. As such, these fees are not recorded as revenue until such services have been provided.

Revenues from Government Agencies

Revenues from government agencies are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

Subsequent Events

Management has evaluated subsequent events through October 26, 2015, the date the financial statements were available to be issued.

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THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies.

As of June 30, 2015 and 2014, the fair value of the Organization's financial instruments including cash, accounts receivable and accrued expenses, approximated book value due to the short maturity of these instruments.

As of June 30, 2015 and 2014, the Organization does not have assets or liabilities required to be measured at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements*.

NOTE 2 – ADMINISTRATION OF FUNDING

On occasion, DreamYard receives and administers funds for organizations that were not able to directly receive public funding. These are referred to as "pass-through grants". Under these arrangements, DreamYard agrees to use funds provided by a donor on behalf of a beneficiary designated by said donor. Under SFAS No. 136, *Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* such funding is to be recorded as a liability of the Organization to the beneficiary.

NOTE 3 – CONCENTRATION OF RISK

As of June 30, 2015 and 2014, the Organization had cash balances at local banks, which exceeded the amount insured by the FDIC in the amount of approximately \$66,000 and \$291,000, respectively.

The vast majority of the Organization's program service fees come from the New York City Department of Education. Eight donors accounted for 40% of donations and grants to the Organization in the year ended June 30, 2015. In the year ended June 30, 2014 five donors accounted for 42% of donations and grants. In the event that this support were to be eliminated, it is likely that the Organization would need to reduce the level of its current operations and find new sources of funds. The organization does not expect that such support will be lost in the near term.

(Continued)

**THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 and 2014**

NOTE 4 – COMMITMENTS & CONTINGENCIES

During the year ended June 30, 2009, DreamYard entered into a non-cancelable, five year operating lease for its office space, which also has program facilities as well. On September 1, 2012 the Organization signed an amendment to this lease with the same landlord to reflect additional space included in the lease terms. In addition DreamYard has an option to extend this lease for an additional five year period.

Future minimum lease payments under the noncancellable office lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	18,230
2017	- 0 -
2018	- 0 -
2019	- 0 -
2020	- 0 -
Thereafter	- 0 -
	<u>\$ 18,230</u>

Rent expense for the years ended June 30, 2015 and 2014 was \$103,198 and \$137,612, respectively. These amounts are net of landlord concessions for improvements made by the Organization.

During the current fiscal year, DreamYard’s landlord agreed to waive lease payments for one year. The amount of waived rent for the year ended June 30, 2015 was recorded as corporate contribution income and as part of rent and occupancy expense.

NOTE 5 – RETIREMENT PLAN

DreamYard has a defined contribution retirement plan. Under this plan, employees are able to defer part of their salary to this plan. At present, there is no obligation for the Organization to match these employee salary deferrals.

NOTE 6 – BANK CREDIT FACILITY

The Organization maintains a credit facility with a bank whereby it is permitted to borrow up to a maximum of \$250,000 under a line of credit facility for working capital purposes. Interest is payable at the rate of 3.25% per annum. As of June 30, 2015 and 2014 there was \$65,546 and \$5,500, respectively outstanding on this credit facility.

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THE DREAMYARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 7 – BRIDGE FINANCING

During the year ended June 30, 2015 and 2014 the Organization was able to obtain short term bridge financing from a New York City based not-for-profit organization which has a program to provide cash flow financing to not-for-profit organizations which are waiting for committed funds from government organizations and foundations. As of June 30, 2015 and 2014 DreamYard owed \$75,000 and \$75,000, respectively to this organization. In lieu of interest, there was a service charge of 1.5% of principal withheld from the proceeds which were received from the lender.