

THE DREAMYARD PROJECT, INC.
(a nonprofit organization)
FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 & Co. CPAs P.C.

HARVEY GINSBERG & COMPANY CPA's P.C.

Briarcliff Manor, New York
May 11, 2015

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

	2014	2013
ASSETS		
Current Assets:		
Cash	\$ 540,736	257,811
Contributions and service fees receivable (allowance for doubtful accounts of zero)	372,136	507,654
Prepaid expense and other current assets	<u>4,258</u>	<u>12,116</u>
Total Current Assets	917,130	777,581
Fixed Assets:		
Furniture and fixtures	71,017	71,017
Equipment	375,709	354,917
Leasehold improvements	105,855	105,855
Less: Accumulated depreciation	<u>(324,751)</u>	<u>(264,639)</u>
	<u>227,830</u>	<u>267,150</u>
TOTAL ASSETS	<u>\$ 1,144,960</u>	<u>1,044,731</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expense	\$ 32,357	1,813
Bridge Loan Payable- Fund for the City of New York	75,000	125,000
Loan Payable to Bank	5,500	323
Unearned grants and program contract fees	<u>100,000</u>	<u>100,000</u>
Total Liabilities	<u>212,857</u>	<u>227,136</u>
Net Assets:		
Unrestricted	932,103	817,595
Temporarily restricted	<u>- 0 -</u>	<u>- 0 -</u>
Total Net Assets	<u>932,103</u>	<u>817,595</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,144,960</u>	<u>1,044,731</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 2014	Total 2013
SUPPORT, REVENUES, & RECLASSIFICATIONS				
Corporate Contributions	\$522,638	168,377	691,015	205,531
Government Grants	- 0 -	135,288	135,288	83,845
Foundation Grants	997,508	389,735	1,387,243	1,668,192
Individual Contributions	579,229	25,000	604,229	683,552
Program Service Fees	1,026,813		1,026,813	729,505
Interest Income	87		87	369
Net Assets Released from Restrictions by Satisfaction of Program Restrictions	<u>718,400</u>	<u>(718,400)</u>	<u>- 0 -</u>	<u>- 0 -</u>
TOTAL SUPPORT, REVENUES, & RECLASSIFICATIONS	<u>3,844,675</u>	<u>- 0 -</u>	<u>3,844,675</u>	<u>3,370,994</u>
EXPENSES				
Program Expenses:				
Arts-in-education	<u>3,008,171</u>		<u>3,008,171</u>	<u>2,698,713</u>
Total Program Expenses	3,008,171	- 0 -	3,008,171	2,698,713
Support Services:				
General & Administrative	418,022		418,022	387,412
Fundraising	<u>303,974</u>		<u>303,974</u>	<u>330,117</u>
TOTAL EXPENSE	<u>3,730,167</u>	<u>- 0 -</u>	<u>3,730,167</u>	<u>3,416,242</u>
CHANGE IN NET ASSETS-CURRENT YEAR	114,508	- 0 -	114,508	(45,248)
Net Assets, Beginning of Year	<u>817,595</u>	<u>- 0 -</u>	<u>817,595</u>	<u>862,843</u>
Net Assets, End of Year	<u>\$ 932,103</u>	<u>- 0 -</u>	<u>932,103</u>	<u>817,595</u>

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

**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	2014	2013
Employee compensation	\$2,051,536	224,370	128,179	2,404,085	2,114,671
Employee benefits and payroll taxes	299,366	32,741	18,704	350,811	324,606
Professional and consulting fees	62,204	29,617	46,032	137,853	238,596
Rent and occupancy	198,781	22,357	77,729	298,867	214,351
Travel	45,785	32,453	883	79,121	85,579
Conferences	4,953	1,212	159	6,324	9,756
Interest	2,445	2,445	-0-	4,890	3,683
Depreciation	54,101	6,011	-0-	60,112	54,902
Insurance	23,861	15,636	1,491	40,988	38,580
Supplies and equipment rental	170,846	35,479	6,802	213,127	217,419
Stipends and casual labor	76,379	3,838	660	80,877	23,786
Printing and publication	1,808	509	12,175	14,492	27,020
Bank and credit card fees	147	3,372	5,997	9,516	6,318
Scholarships awarded	3,151	- 0 -	- 0 -	3,151	- 0 -
Donations	178	- 0 -	- 0 -	178	- 0 -
Dues and subscriptions	6,254	5,481	55	11,790	42,321
Payroll service fees	5,887	644	368	6,899	5,600
Postage and delivery	489	1,857	4,740	7,086	9,054
Total	<u>\$3,008,171</u>	<u>418,022</u>	<u>303,974</u>	<u>3,730,167</u>	<u>3,416,242</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,**

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 114,508	\$ (45,248)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,112	54,902
Changes in operating assets and liabilities:		
Decrease (increase) in contributions and service fees receivable	135,518	(186,397)
Decrease (increase) in prepaid expense and other current assets	7,858	(4,690)
Increase (decrease) in accounts payable and accrued expense	30,544	(9,529)
Increase in unearned program contract fees	- 0 -	65,491
Net cash provided by (used in) operations	348,540	(125,471)
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(20,792)</u>	<u>(117,681)</u>
Net cash used in investing activities	<u>(20,792)</u>	<u>(117,681)</u>
Cash flows from financing activities:		
Borrowings under bridge loan arrangement	150,000	125,000
Repayments of bringe loan	(200,000)	- 0 -
Borrowings under line of credit net of repayments	5,177	323
Net cash (used in) provided by financing activities	<u>(44,823)</u>	<u>125,323</u>
Net increase (decrease) in cash	282,925	(117,829)
Cash, beginning of year	<u>257,811</u>	<u>375,640</u>
Cash, end of year	<u>\$540,736</u>	<u>\$257,811</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	<u>\$ 4,890</u>	<u>\$ 3,683</u>

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

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

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The DreamYard Project, Inc. (“DreamYard” or “The Organization”) uses project-based arts learning to ignite the transformative spirit in youth, schools and communities in New York City. Through a series of comprehensive school-based and out-of-school programs DreamYard helps young people pursue educational pathways toward higher learning and meaningful careers. DreamYard believes that the goal of arts education is to help youth develop their voices, become deeply engaged in learning and make positive changes in their communities. Programs are offered during the school day, after school, on weekends, and during the summer months.

On February 26, 2008 DreamYard filed papers with the State of New York to change the name of the organization to The DreamYard Project, Inc. from its prior name of The DreamYard Drama Project, Inc.

Basis of Accounting, Contributions and Program Service Fees

The financial statements are prepared on the accrual method of accounting. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Contributions, including unconditional promises to give, are recognized in the period received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over their estimated useful life of three to fifteen years.

Functional Expense

The costs of providing programs and activities of DreamYard have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

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

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 May 11, 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, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, the Organization had cash balances at local banks, which exceeded the amount insured by the FDIC in the amount of approximately \$291,000 and \$6,700, respectively.

The vast majority of the Organization's program service fees come from the New York City Department of Education. Five donors accounted for 42% of donations to the Organization in the year ended June 30, 2014. 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.

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

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>
2015	108,848
2016	<u>18,230</u>
	<u>\$ 127,078</u>

Rent expense for the years ended June 30, 2014 and 2013 was \$137,612 and \$48,514, 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 waived rent for the year ended June 30, 2014 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, 2014 and there was \$5,500 and \$323, 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, 2014 and 2013 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, 2014 and 2013 DreamYard owed \$75,000 and \$125,000, respectively to this organization. The terms of the loan provide that repayment must be made by July 31, 2014. In lieu of interest, there was a service charge of 1.5% of principal withheld from the proceeds which were received from the lender.