

# Dreams of Wilmington, Inc.

Wilmington, North Carolina

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANT

**For the Year Ended June 30, 2025**

Dreams of Wilmington, Inc.  
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For the Year Ended June 30, 2025

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Dreams of Wilmington, Inc.  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2025 (with comparative totals for 2024)

	2025	2024 (for comparative purposes only)
<b>ASSETS:</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 577,173	\$ 425,246
Investments	255,648	226,213
Accounts receivable	23,900	7,856
Grants receivable	19,200	-
Sales tax receivable	-	3,993
Prepaid insurance	2,792	1,696
Deposits	40	-
Total current assets	878,753	665,004
<b>ENDOWMENT ACCOUNT</b>		
Investments	129,624	127,228
<b>FIXED ASSETS</b>		
Leasehold improvements - Building	1,476,344	1,476,344
Furniture and equipment	177,724	177,724
Software & website	8,000	8,000
Accumulated depreciation	(519,524)	(448,650)
Total fixed assets	1,142,544	1,213,418
<b>TOTAL ASSETS</b>	\$ 2,150,921	\$ 2,005,650
<b>LIABILITIES AND NET ASSETS:</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable & accrued liabilities	\$ 41,036	\$ 23,710
Accrued leave	8,793	6,541
Deferred revenue	-	25,000
Total current liabilities	49,829	55,251
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	828,924	609,753
Investment in fixed assets	1,142,544	1,213,418
Total without donor restrictions	1,971,468	1,823,171
With donor restrictions	129,624	127,228
Total net assets	2,101,092	1,950,399
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,150,921	\$ 2,005,650

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2025 (with comparative totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total (for comparative purposes only)
<b>REVENUES AND SUPPORT</b>				
Grants, contributions & fundraising	\$ 880,776	\$ -	\$ 880,776	\$ 638,878
In-kind rental contribution	40,000	-	40,000	40,000
Program revenues	36,955	-	36,955	38,958
Rental income	3,038	-	3,038	1,050
Investment return	37,357	10,408	47,765	32,433
Miscellaneous income	640	-	640	701
Net assets released from restrictions	8,012	(8,012)	-	-
Total revenues and support	1,006,778	2,396	1,009,174	752,020
<b>EXPENSES</b>				
Program services	695,702	-	695,702	682,248
Administration	131,990	-	131,990	173,237
Fundraising	31,020	-	31,020	23,288
	858,712	-	858,712	878,773
Change in net assets	148,066	2,396	150,462	(126,753)
Net assets at beginning of period	1,823,171	127,228	1,950,399	2,077,152
Prior Period Adjustment	231	-	231	
Net assets at end of period	\$ 1,971,468	\$ 129,624	\$ 2,101,092	\$ 1,950,399

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2025 (with comparative totals for 2024)

	2025				2024
	Program	Administration	Fundraising	Total	(for comparative purposes only)
Wages	\$ 179,962	\$ 59,083	\$ 22,932	\$ 261,977	\$ 231,868
Contract labor - teachers	198,883	-	-	198,883	228,278
Contracted services - other	30,622	35,522	-	66,144	126,394
Payroll taxes	15,327	5,032	1,953	22,312	19,342
Employee benefits	13,582	4,459	1,731	19,772	21,445
In-kind rental expense	34,000	6,000	-	40,000	40,000
Depreciation	60,244	7,087	3,544	70,875	53,992
Program supplies	65,135	-	-	65,135	48,887
Occupancy expenses	35,252	6,221	-	41,473	39,979
Office expense	14,627	1,721	860	17,208	20,613
Insurance	13,860	2,446	-	16,306	11,704
Repairs and maintenance	6,746	1,190	-	7,936	5,818
Fellowship & apprenticeship exp	17,645	-	-	17,645	8,154
Travel and training	6,052	-	-	6,052	15,029
Advertising & promotion	908	-	-	908	2,654
Equipment lease	2,857	504	-	3,361	2,916
Miscellaneous	-	2,725	-	2,725	1,700
	<b>\$ 695,702</b>	<b>\$ 131,990</b>	<b>\$ 31,020</b>	<b>\$ 858,712</b>	<b>\$ 878,773</b>

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2025 (with comparative totals for 2024)

	<u>2025</u>	<u>2024</u>
		(for comparative purposes only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 150,462	\$ (126,753)
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	70,875	53,992
Realized and unrealized investment (gains) losses	(20,975)	(6,147)
Non-cash financial asset donation received	(167,114)	(14,505)
Prior period adjustment	231	-
Changes in certain assets and liabilities:		
Receivables	(31,251)	(2,661)
Prepaid insurance	(1,096)	182
Deposits	(40)	-
Deferred Revenue	(25,000)	25,000
Payables and accrued liabilities	19,577	(9,911)
	<u>          </u>	<u>          </u>
Net cash provided by operating activities	(4,331)	(80,803)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	171,525	70,930
Purchase of investments	(15,267)	(27,775)
Purchase of fixed assets	-	(104,261)
	<u>          </u>	<u>          </u>
Net cash used by investing activities	156,258	(61,106)
Net increase (decrease) in cash	151,927	(141,909)
Cash and cash equivalents, beginning of year	<u>425,246</u>	<u>567,155</u>
Cash and cash equivalents, end of year	<u>\$ 577,173</u>	<u>\$ 425,246</u>

Non-cash transaction:

The Organization has recorded \$40,000 of in-kind revenue as well as \$40,000 in-kind rent expense related to the lease of a facility at below fair rental value.

The accompanying notes are an integral part of this statement.

Dreams of Wilmington, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

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**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

A summary of the nature of activities and significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**Nature of Activities**

Dreams of Wilmington, Inc. operates in southeastern North Carolina and has a mission to create a culture of confidence for youth and teens, through equitable access to arts education, supported by values of respect, family, and community. Sources of revenue include a combination of grants, contributions, and program related fees.

**Accounting Method**

The Organization records its transactions using the accrual basis method of accounting, whereby revenue and the related assets are recognized when earned and expenses are recognized when the obligation is incurred.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and any highly liquid debt instruments. For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

**Contributions**

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions even if the restrictions expire in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Receivables**

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. As of June 30, 2025 receivables consist of \$19,200 unrestricted grants receivable and \$23,900 programmatic receivables.

**Income Taxes**

The Organization is exempt from income taxes under the Internal Revenue Service Code Section 501 (c)(3). As such, contributions to the Organization are tax deductible. Tax returns remain subject to examination by taxing authorities for a period of 3 years. At June 30, 2025 tax returns for fiscal years ending in 2022, 2023 and 2024 remain “open” to possible examination.

**Functional Allocation of Expenses**

The Statement of Activities presents expenses by functional classification (program services, administration, and fundraising). The Statement of Functional Expenses presents these same expenses by functional and natural classification (wages, payroll taxes, supplies, etc.). Certain costs have been allocated among functional categories using an objective basis (such as staff members’ time or building square footage).

**Management 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. Accordingly, actual results could differ from those estimates.

Dreams of Wilmington, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

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**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment**

Property and equipment are stated at cost if purchased and fair value if donated. The Organization's policy is to capitalize all fixed asset purchases over \$1,000. All property and equipment is depreciated using the straight line and other methods over the estimated useful life of the asset. Depreciation for the year ended June 30, 2025 totaled \$70,875.

**Net Asset Classes**

Generally accepted accounting principles require the reporting of activities by net asset class. Net asset classes include:

*Net Assets Without Donor Restrictions* – result from contributions or grants to the organization that have no donor/grantor-imposed restrictions, less all expenses incurred in the operation of the organization.

*Net Assets With Donor Restrictions* – result from contributions and grants to the organization whose use is limited by a donor/grantor-imposed restriction or that must be maintained permanently. Restrictions that are temporary are typically satisfied either by the passage of time or by the actions of the organization. Investment returns on permanently restricted assets typically may be used in full or in part for the operations of the organization

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **October 16, 2025**, the approximate date the financial statements were available to be issued.

**NOTE 2: IN-KIND RENT CONTRIBUTION AND EXPENSE**

The Organization leases a facility in Wilmington, NC from the City of Wilmington for \$1 annually. The Organization has recorded in-kind revenue of \$40,000 which is the estimated fair market rent of the facility for the year ended June 30, 2025. The Organization has also recorded in-kind rental expense of \$40,000 related to the facility.

**NOTE 3: CASH RISK**

The Organization maintains several cash accounts at two financial institutions. The Organization's cash held at the institutions is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the institutions exceeded the FDIC insurance limit by \$76,616 at June 30, 2025.

**NOTE 4: OPERATING LEASE COMMITMENTS**

The Organization leases a facility at 901 Fanning St. Wilmington, NC for \$1 annually from the City of Wilmington. See Note 2.

The Organization also leases certain equipment under operating leases with terms of one year or less and has elected, as allowed by FASB ASC 842-20-25-2, not to recognize right-of-use assets and lease liabilities for short-term leases (that is, leases with terms of 12 months or less). As such, future scheduled payments under short-term lease arrangements, or the corresponding rights-of-use, are not displayed on the Statement of Financial Position. Rental expense related to these leases is \$3,361 for the year ended June 30, 2025.

Dreams of Wilmington, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

**NOTE 5: INVESTMENTS & FAIR VALUE MEASUREMENTS**

Dreams of Wilmington, Inc. applies a framework for measuring fair values under generally accepted accounting principles which applies to all financial instruments that are measured and reported at fair value.

The framework for measuring fair value of financial assets and liabilities includes a hierarchy of three levels for observable independent market inputs and unobservable market assumptions. A description of the inputs used in the valuation of assets and liabilities under this hierarchy is as follows:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Significant other observable inputs.
- Level 3 - Significant unobservable inputs

Assets and liabilities that are measured at fair value on a recurring basis are as follows at June 30, 2025:

	Fair Value (Level 1)	Cost	Unrealized Gain (Loss)
Cash and Money Market Funds	\$ 128,951	\$ 128,951	\$ -
Bond & Equity Mutual Funds	140,655	145,665	( 5,010 )
Equity Exchange Traded Funds (ETFs)	115,666	86,178	29,488
	\$ 385,272	\$ 360,794	\$ 24,478

The Organization's investment return is summarized as follows:

Interest and dividend income	\$ 26,790
Net realized and unrealized gains (losses)	20,975
Total investment return (loss)	\$ 47,765

**NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2025:

Subject to organizational spending policy and appropriation:

Roger Davis Scholarship Endowment – restricted in perpetuity	\$ 20,850
Roger Davis Scholarship Endowment – restricted for purpose	8,774
Endowment Fund – restricted in perpetuity	100,000
	\$ 129,624

By financial statement caption:

Endowment Account: Investments	\$ 129,624
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During the year ended June 30, 2025, net assets with donor restrictions of \$8,012 were reclassified to net assets without donor restrictions upon satisfaction of the restriction.

**NOTE 7: ENDOWMENT FUNDS**

The Organization's endowment consists of two funds. The first established during the fiscal year ended June 30, 2018 to provide a permanent reservoir of assets that will provide regular income for the needs of Dreams of Wilmington, Inc. The second, established during fiscal year ended June 30, 2020 to be used for the purpose of providing scholarship funds to eligible DREAMS student(s). The endowment funds only include donor restricted funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Dreams of Wilmington, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

**NOTE 7: ENDOWMENT FUNDS (continued)**

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the *donor-restricted* endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Dreams of Wilmington, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Endowment Net Assets Composition by Type of Fund**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ <u>          -</u>	\$ <u>  129,624</u>	\$ <u>  129,624</u>

**Changes in Endowment Net Assets**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 127,228	\$ 127,228
Contributions	-	-	-
Investment return	-	10,408	10,408
Amount appropriated for use in operations	<u>          -</u>	<u>  ( 8,012 )</u>	<u>  ( 8,012 )</u>
Endowment net assets, end of year	\$ <u>          -</u>	\$ <u>  129,624</u>	\$ <u>  129,624</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles in the United States, deficiencies of this nature are reported in net assets without restrictions. There were no deficiencies as of June 30, 2025.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a conservative asset allocation that places a greater emphasis on fixed income and money market investments to achieve its long-term return objectives within prudent risk constraints.

Dreams of Wilmington, Inc.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2025

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**NOTE 7: ENDOWMENT FUND (continued)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization's current policy is to appropriate to operations, any realized earnings associated with the Endowment Fund set up to provide regular income for the needs of Dreams. In establishing this policy, along with a conservative investment approach, the Organization plans to maintain the original value of the gift to the permanent endowment as well as providing income in order to achieve mission objectives.

**NOTE 8: LIQUIDITY DISCLOSURE**

The Organization has \$875,921 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$577,173, investments of \$255,648 and short-term receivables of \$43,100. Financial assets of \$129,624 are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date and are not included in the above total. The above short-term receivables are subject to implied time restrictions but are expected to be collected within one year.

The Organization sets a goal of having financial assets on hand to meet 3 months of operations. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organization also invests its cash in excess of its daily needs into high quality investment vehicles.

**NOTE 9: CONCENTRATIONS**

Over 39% of the Organization's revenue & support for the year ended June 30, 2025 was provided by New Hanover Community Endowment, Inc.

**NOTE 10: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments for the year ended June 30, 2025 consist of the following:

Adjustment to Prior Year Sales Taxes Receivable	\$ <u>231</u>
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**NOTE 11: COMPARATIVE INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain prior year accounts may have been consolidated or expanded in order to better conform with current year presentation.