



Kristi Yamaguchi's Always Dream

**Financial Statements with Report of Independent Auditors
June 30, 2022**



Report of Independent Auditors

To the Board of Directors of
Kristi Yamaguchi's Always Dream:

Opinion

We have audited the accompanying financial statements of Kristi Yamaguchi's Always Dream (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kristi Yamaguchi's Always Dream as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kristi Yamaguchi's Always Dream and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kristi Yamaguchi's Always Dream's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kristi Yamaguchi's Always Dream's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kristi Yamaguchi's Always Dream's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Novogradac & Company LLP

San Francisco, California
January 20, 2023

KRISTI YAMAGUCHI'S ALWAYS DREAM

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	\$	385,904
Restricted cash		1,636
Investments		1,887,382
Beneficial interest		721,821
Promises to give, net		78,795
Donated and purchased school supplies		10,681
Prepays and deposits		<u>51,682</u>
Total assets	\$	<u><u>3,137,901</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	38,157
Deferred revenue		<u>18,155</u>
Total liabilities		56,312

NET ASSETS

Without donor restrictions		
Board designated reserve and growth fund		1,382,952
Available for operations		<u>817,995</u>
Total net assets without donor restrictions		2,200,947
With donor restrictions		<u>880,642</u>
Total net assets		<u><u>3,081,589</u></u>
Total liabilities and net assets	\$	<u><u>3,137,901</u></u>

see accompanying notes

KRISTI YAMAGUCHI'S ALWAYS DREAM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT, EXCLUDING FUNDRAISING EVENTS			
Grants and contributions	\$ 448,612	\$ 115,400	\$ 564,012
School district services	58,700	-	58,700
Interest and dividends, net	28,385	-	28,385
Realized gain on investment, net	10,920	-	10,920
Unrealized loss on investment, net	(311,032)	-	(311,032)
Other income	44,752	-	44,752
Contributed services in-kind	69,325	-	69,325
Net assets released from restrictions	<u>284,483</u>	<u>(284,483)</u>	<u>-</u>
 Total revenue and other support, excluding fundraising events	 634,145	 (169,083)	 465,062
EXPENDITURES			
Program services expense			
Program services - in-kind	69,325	-	69,325
Program services - general	<u>550,528</u>	<u>-</u>	<u>550,528</u>
Total program expenses	619,853	-	619,853
Supporting services expenses			
Management	195,299	-	195,299
Fundraising	<u>208,528</u>	<u>-</u>	<u>208,528</u>
Total supporting services expenses	403,827	-	403,827
 Total expenditures, excluding fundraising events	 <u>1,023,680</u>	 <u>-</u>	 <u>1,023,680</u>
 Change in net assets before fundraising events	 (389,535)	 (169,083)	 (558,618)
 Revenue from fundraising events	 502,038	 -	 502,038
Expenditures from fundraising events	<u>(244,882)</u>	<u>-</u>	<u>(244,882)</u>
Change in net assets from fundraising events	257,156	-	257,156
 CHANGE IN NET ASSETS	 (132,379)	 (169,083)	 (301,462)
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,333,326</u>	 <u>1,049,725</u>	 <u>3,383,051</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,200,947</u>	 <u>\$ 880,642</u>	 <u>\$ 3,081,589</u>

see accompanying notes

KRISTI YAMAGUCHI'S ALWAYS DREAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

EXPENDITURES	Program Services	Management	Fundraising	Total
General Expenses				
Program expenses	\$ 169,180	\$ -	\$ -	\$ 169,180
Grants	36,948	-	-	36,948
	<u>206,128</u>	<u>-</u>	<u>-</u>	<u>206,128</u>
Contributed services in-kind	33,125	-	36,200	69,325
General and administrative	28,043	12,436	22,130	62,609
Fundraising	324	306	4,472	5,102
Wages and services	320,877	58,077	132,766	511,720
Legal and professional	15,612	118,485	5,417	139,514
Travel and meetings	6,716	5,362	6,371	18,449
Insurance	6,301	633	1,172	8,106
Taxes	2,727	-	-	2,727
	<u>413,725</u>	<u>195,299</u>	<u>208,528</u>	<u>817,552</u>
Total expenditures	<u>\$ 619,853</u>	<u>\$ 195,299</u>	<u>\$ 208,528</u>	<u>\$ 1,023,680</u>
Less: Expenses included with revenues on the statement of activities				
Fundraising expenses	<u>-</u>	<u>-</u>	<u>244,882</u>	<u>244,882</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 619,853</u>	<u>\$ 195,299</u>	<u>\$ 453,410</u>	<u>\$ 1,268,562</u>

see accompanying notes

KRISTI YAMAGUCHI'S ALWAYS DREAM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(301,462)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments, net		311,032
Unrealized loss on beneficial interest		105,544
Forgiveness of debt		(27,965)
Bad debt expense		5,400
(Increase) decrease in assets:		
Beneficial interest		125,000
Promises to give		(74,195)
Donated and purchased school supplies		26,545
Prepays and deposits		(25,291)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		3,367
Deferred revenue		(53,980)
Net cash provided by operating activities		<u>93,995</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchase of investments		<u>(25,963)</u>
Net cash used in investing activities		<u>(25,963)</u>

Net change in cash, cash equivalents and restricted cash 68,032

Cash, cash equivalents and restricted cash at beginning of year 319,508

Cash, cash equivalents and restricted cash at end of year \$ 387,540

Cash and cash equivalents \$ 385,904

Restricted cash 1,636

Total cash, cash equivalents and restricted cash \$ 387,540

see accompanying notes

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. Organization

Kristi Yamaguchi's Always Dream (the "Organization"), formerly known as the Always Dream Foundation, is a Nevada not-for-profit organization formed in 1996. The mission of the Organization is to ensure that students from low-income households have access to high-quality books in the home environment and extensive family engagement support. The Organization's "Always Reading" program focuses on engaging families of pre-kindergarten, transitional kindergarten, and kindergarten students to read with their child at home. The program provides each student with an e-tablet, curated digital children's library, and hard copy books. Families are supported by a "Book Coach" who provides training, education, and accountability to encourage families to read regularly with their children.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Board designated reserve and growth fund: represents a reserve established by the Board of Directors to create long-term stability for the furtherance of the Organization's program and growth objectives.

Available for operations: represents unrestricted funds available for operating activities, including at least 6 months of operating expenses.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of ninety days or fewer at the date of acquisition.

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions in restricted money market accounts. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization's beneficial interest of \$721,821 as of June 30, 2022, is from a single donor. There is a risk that the donor may not fulfill its promise to give and that the majority of the receivable would be uncollectible.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. These are recorded at fair value and revalued annually.

Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to promises to give. As of June 30, 2022, the balance of the allowance for doubtful accounts was \$5,400.

Beneficial interest in trust

The Organization is the beneficiary of an irrevocable trust. Upon establishment of the trust and ownership assigned to the Organization during the year ended December 31, 2017, the Organization's interest was recorded as a contribution at its net present value based on the fair value of the trust. Subsequent to the receipt of such trusts, the Organization's interest in the trust is adjusted to the market value with a corresponding offset to unrealized gain or loss. The fair value of the trust assets at June 30, 2022 was \$721,821.

Realized gains or losses on the sale of marketable securities are calculated using the average cost method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year.

Investments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Organization's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Organization for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Investments (continued)

Investments in marketable securities are at fair value. Unrealized gains and losses are measured based on the closing trading price of securities as of June 30, 2022. Realized gains and losses on partial sales of securities with more than one purchase lot are calculated on the first-in, first-out method.

Donated and purchased school supplies

Donated and purchased school supplies are primarily comprised of books to be donated to or used in literacy programs. Donated and purchased school supplies total \$10,681 as of June 30, 2022.

Property and equipment

Property and equipment are reported at cost or, in the case of donated items, at fair market value at the date of donation. Routine maintenance and repairs are charged to expenses as incurred; renewals and betterments which extend the useful lives of assets are capitalized.

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value 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, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The carrying amounts for financial instruments consisting of cash and cash equivalents, accounts payable and accrued liabilities, approximate fair value due to their short maturities. Marketable securities and investments are stated at their fair values.

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following is a description of the valuation methodologies used for fair value measurement of investments:

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial Interest: Valued at market value of the trust assets held pursuant to the ownership assigned to the Organization.

The methods described above may generate a fair value calculation that may not be indicative of net realizable value or future fair values. While the Organization believes the valuation methodologies used are appropriate, the use of different methodologies or assumptions in calculating fair value could result in different amounts.

The following table presents the Organization's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value Measurements
Without donor restrictions				
Mutual funds				
Large Cap U.S. Blend Equity \$	351,220	\$ -	\$ -	\$ 351,220
Mid Cap U.S. Blend Equity	210,364	-	-	210,364
Small Cap U.S. Blend Equity	202,350	-	-	202,350
Sector	89,619	-	-	89,619
Large Cap Foreign Equity	337,478	-	-	337,478
Intermediate/Long-Term				
High Quality U.S. Bond	205,873	-	-	205,873
Short/Intermediate-Term				
High-Quality U.S. Bond	315,483	-	-	315,483
Short-Term Bond	96,331	-	-	96,331
Total - unrestricted	<u>\$ 1,808,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,808,718</u>

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

	Level 1	Level 2	Level 3	Fair Value Measurements
With donor restrictions				
Mutual funds				
Large Cap U.S. Blend Equity \$	16,389	\$ -	\$ -	\$ 16,389
Mid Cap U.S. Blend Equity	9,257	-	-	9,257
Small Cap U.S. Blend Equity	8,982	-	-	8,982
Sector	3,305	-	-	3,305
Large Cap Foreign Equity	16,206	-	-	16,206
Intermediate/Long-Term				
High Quality U.S. Bond	8,956	-	-	8,956
Short/Intermediate-Term				
High-Quality U.S. Bond	12,612	-	-	12,612
Short-Term Bond	2,957	-	-	2,957
Total - restricted	78,664	-	-	78,664
Total – all investments	1,887,382	-	-	1,887,382
Beneficial interest	-	-	721,821	721,821
Total	\$ 1,887,382	\$ -	\$ 721,821	\$ 2,609,203

The Organization does not have any liabilities that are required to be measured at fair value as of June 30, 2022. In addition, there were no transfers between any levels during the year.

The following table presents additional information about Level 3 assets measured at fair value.

	Beneficial Interest
Cash proceeds from beneficial interest	\$ 125,000
Unrealized loss on beneficial interest, net	\$ (105,544)

Deferred event revenue

Deferred event revenue is comprised mainly of unearned revenue related to events not yet held for which the Organization has received sponsorship payments in advance and earns revenue when the Organization holds the event. Deferred event revenue is included in liabilities on the statement of financial position.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during the year ended June 30, 2022.

Income taxes

The Organization is exempt from Federal and California state income taxes under Section 501(c)(3) of the Internal Revenue Code and related California code section. An organization exempt from taxes pursuant to these code sections is taxed only on unrelated business income. The Organization does not have unrelated business income for the year ended June 30, 2022 and, accordingly, no provision for income taxes has been reflected in the financial statements.

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Income taxes (continued)

The Organization follows the accounting standard that establishes for all entities, including not-for-profit entities, a threshold for financial statement recognition of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction) and requires certain expanded tax disclosures. Management has evaluated the tax positions of the Organization and concluded that the Organization has taken no uncertain tax positions that require adjustments to and/or disclosures in the financial statements.

Revenue recognition

Contributions and grants are recognized when cash, securities or other assets, an unconditional promise to give, grants, or notification of a beneficial interest, are received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions and when the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. School district services revenue is comprised of unearned revenue related to events not yet held for which the Organization has received sponsorship payments in advance and earns revenue when the Organization holds the event.

Contributed services and in-kind contributions

Contributions of services are recognized if the services received create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A number of volunteers have donated their time to advance the program objectives. No amounts have been recognized in the accompanying financial statements for donated services from the Board of Directors and its legal counsel since no objective basis is available to measure the value of such services.

Program expenses in-kind are as follows:

Events		
Auction	\$	19,500
Food		4,200
Travel		12,500
Other		8,000
Total	\$	44,200
Literacy program		
School supplies	\$	25,125
	\$	69,325

Functional expenses

The costs of sponsoring the various programs and other activities are summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated among the programs and supporting services benefited. Expenses are allocated between program services, management and fundraising using the following methodologies:

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

2. Summary of significant accounting policies (continued)

Functional expenses (continued)

<u>Expense</u>	<u>Method of Allocation</u>
Program expenses	Direct
Grants	Direct
Contributed services in-kind	Direct
General and administrative	Direct and full time equivalent
Fundraising	Direct
Wages and services	Time/effort assessment
Legal and professional	Direct and full time equivalent
Travel and meetings	Direct
Insurance	Full time equivalent
Taxes	Direct

Lease

The Organization entered into a lease for its office. Pursuant to the guidance for accounting for leases, the Organization accounts for the lease as an operating lease (see Note 7).

Recent and pending accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes FASB ASC Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via the right of use asset and lease liability, and additional qualitative and quantitative disclosures. The standard will be effective for the Organization for annual periods beginning after December 15, 2021, permits early adoption, and mandates a modified retrospective transition method. The Organization is currently evaluating the effect of the standard on the financial statements.

Subsequent events

Subsequent events have been evaluated through January 20, 2023, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are:

Total assets at year-end:	\$	3,137,901
Less: Nonfinancial assets		
Donated and purchased school supplies		10,681
Prepaid expenses and deposits		51,682
Financial assets		3,075,538
Less: Those unavailable for general expenditure within one year due to		
Time restrictions		703,282
Donor restrictions		177,360
Beneficial interest		721,821
Financial assets available to meet		
general expenditures over the next twelve months	\$	1,473,075

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

3. Liquidity and availability of financial assets (continued)

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

4. Related party transactions

The Organization received donations from its board members totaling \$149,089 during the year ended June 30, 2022.

Kristi Yamaguchi (director, chairperson)	\$	17,809
Mark McCaffrey (director, president, interim treasurer effective March 1, 2022)		23,500
Nadyne Orona (director)		39,263
Other donations		<u>68,517</u>
Total received donations	\$	<u><u>149,089</u></u>

5. Investments

Investments are comprised of the following as of June 30, 2022:

ETPs, mutual funds, exchange-traded closed-end funds and interval funds	\$	<u>1,887,382</u>
Total investments	\$	<u><u>1,887,382</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2022:

Unrealized loss	\$	(311,032)
Interest and dividends		39,778
Total fees		(11,393)
Capital gain, net		<u>1,341</u>
Total investment loss	\$	<u><u>(281,306)</u></u>

6. Promises to give, net

Promises to give, net consist of the following as of June 30, 2022:

Total promises to give	84,195
Less: allowance for bad debt	<u>(5,400)</u>
Promises to give, net	\$ <u><u>78,795</u></u>

KRISTI YAMAGUCHI'S ALWAYS DREAM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

7. Lease commitment

In 2018, the Organization extended its office lease to begin on August 1, 2018 for an additional term of three years, through July 31, 2021. Annual rent is subject to CPI increases, with a minimum rent increase of 3% and a maximum increase of 8%. On April 27, 2021, the lease was further extended for an additional term of three years, through July 31, 2024. Rent expense was \$21,458 for the year ended June 30, 2022 in general and administrative on the statement of functional expenses. Future minimum base lease payments under the new extension agreement ending July 31, 2024 are as follows:

2023		\$	21,173
2024			21,808
2025			<u>1,822</u>
			<u>\$ 44,803</u>

8. Notes payable

Payment Protection Program

On January 26, 2021, the Organization received a second round of loan proceeds in the amount of \$27,965 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Consolidated Appropriations Act, 2021, provides for loans to targeted small businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business with similar loan forgiveness provisions of PPP under the CARES Act. The PPP loan has a term of five years, is unsecured, and is guaranteed by the U.S. Small Business Administration. The PPP loan bears a fixed interest rate of 1% per annum. The principal amount of the PPP loan is subject to forgiveness under the PPP upon the Organization’s request to the extent that the loan proceeds are used to pay expenses permitted by the PPP, including payroll, rent, and utilities.

On October 14, 2021, the Organization was informed that its application for forgiveness of \$27,965 of the PPP loan was approved. Accordingly, the Organization recorded it as other income on the accompanying statement of activities.

9. Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of June 30, 2022:

Purpose restrictions	
Literacy program expenses	\$ <u>880,642</u>
Total net assets with donor restrictions	\$ <u>880,642</u>

10. Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Organization’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Organization, all of which are uncertain and cannot be predicted. The Organization’s future results could be adversely impacted by the pandemic. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.