



Beyond Accounting

TICKET TO DREAM FOUNDATION
A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019



Beyond Accounting

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ticket to Dream Foundation
Rocklin, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ticket to Dream Foundation (a nonprofit corporation), which comprise the statements of financial position as of March 31, 2020 and 2019, 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.

Auditors' 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ticket to Dream Foundation as of March 31, 2020 and 2019, and the changes in net assets and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BFBA, LLP

Sacramento, California
August 13, 2020

TICKET TO DREAM FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 MARCH 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 998,762	\$ 1,141,803
Accounts receivable	40,133	16,131
Prepaid expenses	13,448	4,643
Inventory	<u>2,989,240</u>	<u>144,843</u>
Total current assets	<u>\$ 4,041,583</u>	<u>\$ 1,307,420</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 28,554	\$ 17,090
Accrued distributions	<u>2,401,639</u>	<u>-</u>
Total current liabilities	<u>2,430,193</u>	<u>17,090</u>
Net assets		
Without donor restrictions	<u>1,611,390</u>	<u>1,290,330</u>
Total net assets	<u>1,611,390</u>	<u>1,290,330</u>
Total liabilities and net assets	<u>\$ 4,041,583</u>	<u>\$ 1,307,420</u>

The accompanying notes are an integral part of these financial statements.

TICKET TO DREAM FOUNDATION
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Revenues and support		
At-large cash contributions	\$ 651,067	\$ 1,397,700
Events	798,593	750,000
Contributed services and advertising	9,670,672	15,665,324
In-kind contributions	9,294,401	4,112,048
Interest income	650	813
Total revenues and support	20,415,383	21,925,885
Expenses		
Program services		
Essentials	17,179,758	17,641,606
Go Play!	1,201,461	2,554,011
Take Flight	920,518	1,109,444
Other	339,975	215,244
Total program services	19,641,712	21,520,305
Support services		
Administrative	332,272	294,925
Fundraising	120,339	181,363
Total support services	452,611	476,288
Total expenses	20,094,323	21,996,593
Increase (decrease) in net assets	321,060	(70,708)
Net assets, beginning of year	1,290,330	1,361,038
Net assets, end of year	\$ 1,611,390	\$ 1,290,330

The accompanying notes are an integral part of these financial statements.

TICKET TO DREAM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

	Program Services				Support Services		Total
	Essentials	Go Play!	Take Flight	Other	Administrative	Fundraising	
Donation expenses	\$ 154,096	106,250	349,003	80,785	-	-	\$ 690,134
Event expenses	-	-	76,842	-	-	-	76,842
In-kind expenses	7,982,367	297,774	408,115	209,905	-	-	8,898,161
Advertising	8,265,988	755,394	-	-	-	-	9,021,382
Bank expenses	-	-	-	-	1,574	-	1,574
Credit card processing fees	-	75	2,892	657	-	5,320	8,944
Dues and subscriptions	-	-	-	-	437	-	437
Insurance	-	-	-	-	30,429	5,760	36,189
Management fees	-	-	-	-	52,759	-	52,759
Marketing	31	-	39	-	17,532	2,600	20,202
Payroll taxes	7,686	2,968	3,574	-	12,655	7,681	34,564
Personnel	649,290	-	-	-	-	-	649,290
Professional fees	-	-	-	-	20,850	-	20,850
Rent	-	-	-	-	16,620	-	16,620
Salaries and wages	88,678	35,471	53,206	-	132,383	87,933	397,671
Taxes and licenses	-	-	-	-	12,211	-	12,211
Travel	986	30	4,107	-	13,061	3,717	21,901
Miscellaneous	30,636	3,499	22,740	48,628	21,761	7,328	134,592
Total	\$ <u>17,179,758</u>	<u>1,201,461</u>	<u>920,518</u>	<u>339,975</u>	<u>332,272</u>	<u>120,339</u>	\$ <u>20,094,323</u>

The accompanying notes are an integral part of these financial statements.

TICKET TO DREAM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	Program Services				Support Services		Total
	Essentials	Go Play!	Take Flight	Other	Administrative	Fundraising	
Donation expenses	\$ 450,658	311,355	625,763	97,420	-	-	\$ 1,485,196
Event expenses	-	-	78,927	11	156	444	79,538
In-kind expenses	3,456,733	154,441	323,671	32,560	-	-	3,967,405
Advertising	12,962,035	2,032,821	8,221	-	-	-	15,003,077
Bank expenses	-	-	-	-	1,307	-	1,307
Credit card processing fees	250	-	4,106	188	-	6,640	11,184
Dues and subscriptions	-	-	-	-	3,163	2,611	5,774
Insurance	-	-	-	600	13,614	-	14,214
Management fees	79,261	31,705	47,557	-	176,477	101,778	436,778
Marketing	-	-	-	42	-	24,892	24,934
Payroll taxes	1,369	548	821	-	557	1,346	4,641
Personnel	662,248	-	-	-	-	-	662,248
Professional fees	-	-	-	-	26,945	7,710	34,655
Rent	-	-	-	-	6,780	8,286	15,066
Salaries and wages	11,216	4,487	6,730	-	16,708	11,327	50,468
Taxes and licenses	-	-	-	89	4,486	-	4,575
Travel	2,897	900	7,051	-	4,181	13,761	28,790
Miscellaneous	14,939	17,754	6,597	84,334	40,551	2,568	166,743
Total	\$ <u>17,641,606</u>	<u>2,554,011</u>	<u>1,109,444</u>	<u>215,244</u>	<u>294,925</u>	<u>181,363</u>	\$ <u>21,996,593</u>

The accompanying notes are an integral part of these financial statements.

TICKET TO DREAM FOUNDATION
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 321,060	\$ (70,708)
Changes in operating assets and liabilities		
Accounts receivable	(24,002)	(3,980)
Prepaid expenses	(8,805)	358
Inventory	(2,844,397)	(144,843)
Accounts payable	11,464	8,976
Accrued distributions	2,401,639	(2,657)
Net cash used in operating activities	(143,041)	(212,854)
Net decrease in cash and cash equivalents	(143,041)	(212,854)
Cash and cash equivalents, beginning of year	1,141,803	1,354,657
Cash and cash equivalents, end of year	\$ 998,762	\$ 1,141,803

The accompanying notes are an integral part of these financial statements.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Ticket to Dream Foundation (the Foundation) was organized in March 2008, as a nonprofit mutual benefit corporation under the laws of the State of California. The Foundation was created to make a positive impact on the lives of thousands of children in need. Through its various programs, the Foundation provides both material and monetary contributions to nonprofit organizations throughout the United States to support charitable causes and nonprofits, with a particular emphasis on charities related to foster children.

The principal programs of the Foundation comprise:

Essentials – Through the Essentials for foster kids program, the Foundation collects and distributes in-kind essentials through consumer donation collections and retail bulk product donations to provide foster youth with the everyday items they need.

Go Play! – The Foundation’s GoPlay! program brings joy and normal childhood experiences to foster youth across the nation by providing access to extra-curricular activities and tickets to fun events.

Take Flight – Through the Take Flight program, the Foundation’s goal is to empower foster youth for the future, particularly preparing youth prior to and while aging out of care. Proceeds benefit nonprofit organizations that support current and former foster youth throughout the United States with pursuing secondary education and transitioning into independent living.

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and are presented in conformity with Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. In accordance with ASC Topic 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. As of March 31, 2020, and 2019, there were no net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all highly liquid investments with original maturities of three months or less. Cash equivalents are stated at cost, which approximates their market value.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Management considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded for the years ended March 31, 2020 and 2019. Balances that are still outstanding after management has used reasonable collection efforts are charged to operations when that determination is made.

Inventory

Inventory consists of clothing, laptops, and accessories which were collected through in-kind contributions and have yet to be distributed to foster youth. Inventory is valued as discussed in “In-Kind Contributions” below.

Accrued Distributions

Accrued distributions consists of in-kind donations for which a recipient has been selected and a commitment made, but has yet to be distributed as of year end.

Fair Market Value of Financial Instruments

The Foundation has financial instruments whereby the fair market value of the instruments could be different than that recorded on a historical basis on the accompanying statement of financial position. The financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, inventory, accounts payable, and accrued distributions. The carrying amounts of the Foundation’s financial instruments generally approximate their fair market values at March 31, 2020 and 2019.

Revenue Recognition

Revenue is primarily derived from cash donations, in-kind contributions, contributed services and advertising, special events, and interest income. Revenue from exchange transactions is recognized in accordance with FASB ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers.

In accordance with FASB ASC Topic 606, the Foundation recognizes revenue from exchange transactions when it transfers promised products or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those products or services. The consideration received is generally based on the stand-alone fee for the products or service provided.

Revenues from special events and corporate sponsorship of the events are recognized over the period in which the related event occurs. All funds collected in advance are recorded as deferred revenues until earned.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation has adopted FASB ASC Topic 606 on a modified retrospective basis on April 1, 2019. Upon adoption, management concluded that its contracts with customers (exchange transactions) consist of a single performance obligation. Additionally, the Foundation has made policy elections within the amended standards that are consistent with its previous accounting. The cumulative effect of applying the new guidance was not material to the financial statements as a whole and did not impact beginning net asset as of April 1, 2019.

In-Kind Contributions

Throughout the year, new and gently used non-cash items, such as clothing, laptops, school supplies, and toys, are collected for local foster children. Fair market value of these in-kind donations is determined based on average retail costs of the items whether they are new or used. In addition, in-kind contributions are received from the Foundation's business partners and supporters for golf tournament auctions. The value of the contributions is determined based on current retail value of the items at the time that they are received.

Income Taxes

The Foundation was organized as a California nonprofit organization and is exempt from income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation has been classified as an organization other than a private foundation under IRC Section 509(a)(2) and qualifies for the charitable contribution deduction under Section 170(b)(1)(A). This allows for donations to the organization to be deductible as charitable contributions on the donors' income tax returns. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. As of March 31, 2020 and 2019, the Foundation did not have net unrelated business taxable income.

The Foundation's tax returns are subject to examination by federal and state tax jurisdictions. There are no examinations currently in process. With few exceptions, the Foundation is no longer subject to U.S. federal examinations for years prior to fiscal year 2017, or state examinations for years prior to fiscal year 2016.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Restrictions and Availability

The Foundation is substantially supported by cash and in-kind contributions from private parties and various business partners. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has \$1,038,895 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$998,762 and accounts receivables of \$40,133.

Program and Support Function Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and payroll taxes, dues and subscriptions, management fees, and travel expenses, which are allocated on the basis of estimates of time and effort.

Concentrations of Credit Risk

The Foundation maintains cash in demand deposit accounts with federally insured institutions. At times during the fiscal year, the balances in these accounts may exceed the federally insured limits. The Foundation has not experienced any losses on such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 amending the accounting for leases. The new standard requires the recognition of lease liabilities, and a corresponding right-of-use asset, for any non-cancellable leases with terms in excess of 12 months. Presentation of leases within the statements of activities and cash flows will be generally consistent with the current lease accounting guidance. The ASU is effective, retrospectively, for the year ending March 31, 2023. Management is assessing the impact the ASU will have on the Foundation's statement of net assets.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through August 13, 2020, the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused economic uncertainties that could negatively impact operations. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on a variety of developments and factors that cannot be currently predicted. As a result, the related financial impact and duration cannot be reasonably estimated at this time.

In response to the COVID-19 outbreak, the federal government passed various legislation in an effort to assist small businesses. In connection with the Coronavirus Aid, Relief, and Economic Security Act, the Foundation applied for and was approved for an \$87,084 loan through the Paycheck Protection Program (PPP). Under the terms of the PPP, up to 100% of the loan may be forgiven if certain criteria are met. As of August 13, 2020, management expects the entire loan will be forgiven. Management is not aware of any other subsequent events requiring additional disclosure.

NOTE 2: OPERATING LEASE

The Foundation leases office space under a non-cancelable lease agreement through December 31, 2021. Total rent expense for the years ended March 31, 2020 and 2019, was \$16,620 and \$15,066, respectively.

The future minimum payments under this lease agreement as of March 31, 2020, are as follows:

<u>Year ending March 31,</u>	
2021	\$ 15,993
2022	12,258

NOTE 3: RELATED PARTY TRANSACTIONS

Some officers and directors of the Foundation are also employees or officers of Bunker Wilson, LLC and Mattress Firm, Inc. (MFRM). As a result, Bunker Wilson, LLC and MFRM are related parties to the Foundation.

Bunker Wilson, LLC provides limited administrative resources and support to the Foundation, including computer and office equipment, office supplies, and office space, as well as administrative support.

TICKET TO DREAM FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 3: RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation reimburses Bunker Wilson, LLC for the administrative resources and support which it provides and the related expense is recorded as management fees in the accompanying statement of activities. During the years ended March 31, 2020 and 2019, the Foundation recorded \$52,759 and \$436,778, respectively, in management fees from Bunker Wilson, LLC, which is included in the accompanying statements of activities. Related to these management fees, the Foundation has recorded payables of \$24,924 and \$7,518 to Bunker Wilson, LLC as of March 31, 2020 and 2019, respectively. Effective April 1, 2019, management fees paid to Bunker Wilson, LLC have declined considerably as many program-related personnel are now directly employed by the Foundation.

MFRM donates limited administrative resources and support to the Foundation, including computer and office equipment, office supplies, office and warehouse space, as well as administrative, advertising, public relations and external communications support. The Foundation does not reimburse MFRM for the administrative resources and support which it provides. As such, the resulting revenue and related expenses have been recognized in the financial statements for these donated administrative resources and support at their estimated fair market values. During the years ended March 31, 2020 and 2019, the Foundation received \$8,265,988 and \$12,953,815, respectively, in contributed advertising and \$649,290 and \$662,248, respectively, in contributed personnel costs from MFRM, which is included in the accompanying statements of activities. In addition, during the years ended March 31, 2020 and 2019, MFRM collected cash donations on behalf of the Foundation in MFRM stores. Related to these collections, the Foundation has recorded receivables from MFRM as of March 31, 2020 and 2019, of \$10,269 and \$1,740, respectively.

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES

The Foundation allocates its expenses on a functional basis between its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Any expenses that are common to several functions are allocated among the programs and support services benefited. For the years ended March 31, 2020 and 2019, these expenses were approximately 98% for program expense and 2% for support services, respectively.