DREAMSPRING AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

C O N T E N T S

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
DreamSpring and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of DreamSpring (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to DreamSpring's preparation and fair presentation of the consolidated 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 DreamSpring'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DreamSpring and Subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated financial statements as of December 31, 2019, were audited by Atkinson & Co., Ltd, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of December 1, 2020, and has subsequently ceased operations. Atkinson & Co., Ltd.'s report dated April 27, 2020, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of DreamSpring's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DreamSpring's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DreamSpring's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 30, 2021

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2020	2019
ASSETS		
Cash	$ 23,226,658	$ 6,041,597
Restricted cash	104,422	84,427
Accrued interest on small business loans and other receivables	672,873	255,702
Contributions receivable, net of discounts and allowance for doubtful accounts of $15,977 in 2020 and $53,465 in 2019	41,969	221,849
Grants receivable	-	628,228
Small business loans receivable, net	29,770,635	39,912,882
Small business PPP loans receivable, net	33,668,954	-
Derivative instrument	107,785	152,948
Prepaid expenses	72,740	75,659
Investment securities	1,312,960	1,227,695
Property, equipment and software, net	2,041,855	2,247,240
Land	1,003,216	1,003,216
Property held for sale	958	250
Total assets	$ 92,025,025	$ 51,851,693

LIABILITIES AND NET ASSETS

	2020	2019
LIABILITIES		
Accounts payable	$ 147,296	$ 91,113
Accrued payroll	520,450	133,812
Third-party participation on small business loans	184,665	115,763
Advances and other accrued liabilities	4,987,100	71,120
Program advances	1,287,353	-
Capital lease obligation	36,541	65,589
Unsecured lines-of-credit	3,599,999	5,500,000
Unsecured notes payable	51,391,817	16,992,335
Secured debt	6,103,082	7,512,790
Total liabilities	68,258,303	30,482,522
NET ASSETS		
Without donor restrictions		
Undesignated	12,574,590	10,488,043
Noncontrolling interest in LLC companies	8,187,265	8,187,208
With donor restrictions	3,004,867	2,693,920
Total net assets	23,766,722	21,369,171
Total liabilities and net assets	$ 92,025,025	$ 51,851,693

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

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Loan interest and fees	$ 5,036,541	$ 115,322	$ 5,151,863
Contributions	1,143,025	2,796,794	3,939,819
SBA PPP lending fees	2,921,010	-	2,921,010
Federal awards	481,224	-	481,224
In-kind contributions	641,635	-	641,635
Other revenue	147,712	-	147,712
Net realized/unrealized gains on investments	-	87,089	87,089
Investment income, net	10,520	18,996	29,516
Total revenue and support	10,381,667	3,018,201	13,399,868
Net assets released from restrictions	2,707,254	(2,707,254)	-
EXPENSES			
Program services	9,899,163	-	9,899,163
Fundraising	613,025	-	613,025
Support	490,186	-	490,186
Total expenses	11,002,374	-	11,002,374
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONOPERATING ACTIVITIES AND NONCONTROLLING INTEREST IN LLC COMPANIES	2,086,547	310,947	2,397,494
OTHER ACTIVITIES			
Federal awards	4,905,234	-	4,905,234
Financial assistance distributions	(4,905,234)	-	(4,905,234)
Total nonoperating activities	-	-	-
CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	2,086,547	310,947	2,397,494
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES			
Gain on LLC activity	137,045	-	137,045
Distributions	(136,988)	-	(136,988)
Total changes in net assets from noncontrolling interest in LLC companies	57	-	57
CHANGES IN NET ASSETS	2,086,604	310,947	2,397,551
Net assets, beginning of year	18,675,251	2,693,920	21,369,171
Net assets, end of year	$ 20,761,855	$ 3,004,867	$ 23,766,722

2019		
Without Donor Restrictions	With Donor Restrictions	Total
$ 5,793,524	$ 180,171	$ 5,973,695
964,087	1,888,037	2,852,124
-	-	-
635,901	-	635,901
339,564	-	339,564
55,024	-	55,024
473	191,911	192,384
3,505	29,989	33,494
7,792,078	2,290,108	10,082,186
3,859,639	(3,859,639)	-
11,193,066	-	11,193,066
612,498	-	612,498
472,271	-	472,271
12,277,835	-	12,277,835
(626,118)	(1,569,531)	(2,195,649)
-	-	-
-	-	-
-	-	-
(626,118)	(1,569,531)	(2,195,649)
137,002	-	137,002
(136,988)	-	(136,988)
14	-	14
(626,104)	(1,569,531)	(2,195,635)
19,301,355	4,263,451	23,564,806
$ 18,675,251	$ 2,693,920	$ 21,369,171

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

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2020			
	Program Services	Fundraising	Support	Total
Salaries	$ 3,260,185	$ 402,220	$ 292,912	$ 3,955,317
Loan loss provision	2,344,818	-	-	2,344,818
Professional fees	748,767	81,728	66,804	897,299
Interest	894,444	-	-	894,444
In kind interest	623,461	-	-	623,461
Marketing and development	446,749	6,668	59	453,476
Payroll taxes	241,509	29,796	21,698	293,003
Employee benefits	240,186	29,632	21,580	291,398
Loan servicing expense	261,495	-	-	261,495
Depreciation and amortization	232,431	9,530	6,941	248,902
Software fees and licensing	190,520	16,474	36,905	243,899
Telephone	148,984	16,162	14,731	179,877
Occupancy	78,173	7,506	6,512	92,191
Miscellaneous expense	63,358	4,621	4,888	72,867
Travel	32,217	4,733	2,650	39,600
Insurance	28,067	-	9,355	37,422
Conferences and meetings	30,107	2,017	2,217	34,341
Subscriptions and dues	12,682	326	1,313	14,321
Supplies	10,995	611	611	12,217
Postage	7,189	799	-	7,988
Temporary services	2,826	202	1,010	4,038
Total	$ 9,899,163	$ 613,025	$ 490,186	$ 11,002,374

2019			
Program Services	Fundraising	Support	Total
$ 3,005,263	$ 313,724	$ 241,516	$ 3,560,503
3,763,240	-	-	3,763,240
980,873	111,623	103,808	1,196,304
870,797	-	-	870,797
391,025	-	-	391,025
133,175	41,508	-	174,683
218,965	22,858	17,597	259,420
252,785	26,389	20,314	299,488
221,102	-	-	221,102
192,795	9,751	9,228	211,774
397,585	6,954	23,108	427,647
140,063	12,572	11,898	164,533
99,893	8,549	12,255	120,697
53,206	3,998	2,529	59,733
242,391	38,625	4,089	285,105
24,108	-	8,035	32,143
64,171	7,369	3,138	74,678
38,568	674	224	39,466
39,144	2,175	2,175	43,494
29,315	3,257	-	32,572
34,602	2,472	12,357	49,431
$ 11,193,066	$ 612,498	$ 472,271	$ 12,277,835

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

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

Increase (Decrease) in Cash

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Small business loan payments received	$ 11,199,250	$ 6,165,280
Contributions received	4,094,746	3,114,559
Federal awards received	7,455,646	959,264
Other cash receipts	187,009	172,819
Payments for salaries, benefits and payroll taxes	(4,126,246)	(4,257,535)
Payments to vendors	(5,778,893)	(2,971,472)
Interest paid	(861,032)	(980,435)
Net cash provided by operating activities	12,170,480	2,202,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	563,650	372,186
Purchase of investments	(536,873)	(385,495)
Purchase of property, equipment and software	(43,517)	(98,901)
Investment in small business loans	(47,712,864)	(21,122,809)
Repayments and recoveries of small business loans	21,841,339	17,542,330
Net cash used in investing activities	(25,888,265)	(3,692,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	1,382,011	3,362,841
Repayment of secured debt	(2,791,719)	(3,180,258)
Proceeds from unsecured notes payable	49,222,585	2,435,000
Repayment of unsecured notes payable	(15,823,999)	(2,000,000)
Repayments of unsecured lines-of-credit, net	(900,001)	(2,600,000)
Repayments on capital lease obligation	(29,048)	(22,497)
Distributions to noncontrolling interests in consolidated LLC companies	(136,988)	(136,988)
Net cash provided by (used in) financing activities	30,922,841	(2,141,902)
NET INCREASE (DECREASE) IN CASH	17,205,056	(3,632,111)
Cash, beginning of year	6,126,024	9,758,135
Cash, end of year	$ 23,331,080	$ 6,126,024

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years Ended December 31,

Increase (Decrease) in Cash

	2020	2019
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 2,397,494	$ (2,195,649)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) on investments	(87,089)	(192,384)
LLC activity	137,045	137,002
Depreciation and amortization	248,902	211,774
Amortization of note payable closing fee	896	1,223
Loan loss provision	2,344,818	3,763,240
Present value discount and amortization on contributions receivable	(1,212)	321
Uncollectible contribution expense	(5,331)	(20,593)
Donated stock	(24,953)	(10,117)
Change in fair value of derivative instrument	45,163	12,938
(Increases) decreases in operating assets:		
Accounts receivable	(417,171)	37,632
Contributions receivable	186,423	292,824
Grants receivable	628,228	323,363
Prepaid expenses	2,919	24,782
Property held for sale	(708)	-
Increases (decreases) in operating liabilities:		
Accounts payable	56,183	(72,385)
Accrued payroll	386,638	(132,088)
Program advances	1,287,353	-
Other accrued liabilities and third party participation on small business loans	4,984,882	20,597
	$ 12,170,480	$ 2,202,480

SUPPLEMENTAL DATA

	2020	2019
In-kind revenues and expenses	$ 641,635	$ 339,564
Refinance of small business loans	$ 422,288	$ 1,385,246
Equipment financed through capital lease obligation	$ -	$ 88,086

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

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Organization

DreamSpring, formerly Accion, was organized in March 1994 as an independent, private, New Mexico nonprofit corporation. Its sole program provides microenterprises and small businesses primarily in New Mexico, Arizona, Colorado, Nevada, and Texas with credit and business support not otherwise available from the commercial lending sector. DreamSpring's operations are subsidized by contributions from foundations and other grantors, individuals, banks, and other corporate contributors. DreamSpring formerly licensed its Accion name from a supporting organization, Accion, U.S. Network. During 2019, DreamSpring rebranded and exited its membership with the Accion U.S. Network.

During 2015, DreamSpring was approved to be a Community Advantage (CA) Pilot Loan Program Lender with the U.S. Small Business Administration. As an approved lender, DreamSpring is required to maintain a loan loss reserve bank account of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve account are required to be maintained in a separate bank account. At December 31, 2020 and 2019, the unguaranteed CA loan portfolio was $721,057 and $778,754, respectively, and the required loan loss reserve account was $51,000 for both years. DreamSpring was in compliance with the loan loss reserve requirement.

DreamSpring is managing member of several New Mexico limited liability companies (LLC). The purpose of each LLC is to further the mission of DreamSpring by the formation of capital to be deployed by DreamSpring. DreamSpring holds a fifty-one percent (51%) voting interest in each LLC. The other members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. Each LLC has a dissolution date unless the operating agreements are amended to extend the term.

DreamSpring is also managing member of a Colorado limited liability company (DreamSpring 2014E LLC). The purpose of the LLC is to further the mission of DreamSpring by the formation of capital to be deployed by DreamSpring. Nonmanaging members' units do not have voting rights, except as otherwise agreed. Members share net income, gain, net loss, and distributions of the LLC in accordance with their percentage of units. The LLC has a dissolution date unless the operating agreement is amended to extend the term.

The noncontrolling activities of the LLCs are as follows:

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

	DreamSpring 2007A, LLC	DreamSpring 2011B, LLC	DreamSpring 2011C, LLC	DreamSpring 2013D, LLC	DreamSpring 2014E, LLC	DreamSpring 2017G, LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	August 2017	
Dissolution date	December 2022	December 2021	December 2021	December 2026	December 2023	December 2027	
Balance at December 31, 2018	$ 1,200,196	$ 250,024	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,024,988	$ 8,187,194
Distributions	-	-	(5,000)	(60,000)	(47,000)	(24,988)	(136,988)
Net income	1	1	5,000	60,000	47,000	25,000	137,002
Balance at December 31, 2019	1,200,197	250,025	255,001	3,059,985	2,397,000	1,025,000	8,187,208
Distributions	-	-	(5,000)	(60,000)	(47,000)	(24,988)	(136,988)
Net income	1	1	5,000	60,000	47,000	25,043	137,045
Balance at December 31, 2020	$ 1,200,198	$ 250,026	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,025,055	$ 8,187,265

The accompanying consolidated financial statements include the accounts of DreamSpring and its Subsidiaries listed in the above table (collectively the Company or Organization). All material intercompany accounts and transactions have been eliminated.

2. Federal Income Taxes

DreamSpring is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. DreamSpring had no material unrelated business taxable income for the years ended December 31, 2020 and 2019. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, 2014E LLC and 2017G LLC, all pass-through taxable entities, had no material taxable income in 2020 or 2019.

DreamSpring has adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by DreamSpring or any of the limited liability companies for the years ended December 31, 2020 and 2019. DreamSpring's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, DreamSpring's tax returns and each respective LLC’s tax returns are no longer subject to examination by tax authorities for years prior to 2017.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. It is reasonably possible that conditions which existed at the date of the consolidated financial statements could change in the near term due to current volatility in market and economic conditions. Such future changes, if significant, could lead to changes in estimates used in calculating the allowance for loan losses, embedded derivative, uncollectible contributions receivable, imputation of interest, and depreciation on property and equipment. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

4. Cash

For purposes of the accompanying consolidated statements of cash flows, DreamSpring considers all highly liquid instruments with original maturities of three months or less to be cash. Cash includes cash on hand, cash in banks, and restricted cash held in money market accounts held with a brokerage firm.

5. Concentrations of Risk

Financial instruments that potentially subject DreamSpring to concentration of credit risk include cash balances and investment accounts. DreamSpring’s cash is held with various financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits (currently $250,000); insurance limits on investment accounts vary by investment brokerage firm and by type of investment. DreamSpring limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to its cash balances and investment accounts.

Additionally, financial instruments that potentially subject DreamSpring to credit risk are primarily loans receivable. See Note E for all policies concerning credit risk. DreamSpring provides micro and small business lending to qualifying small business entities in New Mexico, Arizona, Colorado, Nevada and Texas. DreamSpring considers these locations as geographic concentrations potentially subject to risk. DreamSpring began lending in additional states in 2020.

6. Investments

Investments are carried at fair value. Fair value is 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. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these consolidated financial statements.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable

Management has estimated that net loan origination fees (net of direct costs associated with originating the loan) are not significant, except for those loans originated under the Paycheck Protection Program (PPP) to qualifying small businesses.

The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Loan losses (charge-offs) are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed or 180 days delinquency, whichever is first. Repossessed collateral is reported at net realizable value on or soon after acquisition based on an evaluation completed on the collateral. Foreclosed real property is reported at market value less sales costs upon official acquisition based on the average value of the market analyses or appraisal value of the property. Management's periodic evaluation of the adequacy of the allowance is based on DreamSpring's past and current loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and estimated value of any underlying collateral and current economic conditions.

The provision for loan losses in the consolidated statements of activities and changes in net assets results from the combination of an estimate by management of loan losses that occurred during the current period and the ongoing adjustment of estimates of losses occurring in prior periods. Because of these factors, it is reasonably possible that the allowances for losses on loans and the valuation of foreclosed real estate may change materially in the near term. While management uses available information to recognize losses on loans, future additions or reductions to the allowances may be necessary based on changes in local economic conditions.

Accrual of interest on a loan is discontinued when the loan is considered delinquent. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date. Uncollectible interest previously accrued is charged off by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Loans that have been modified and economic concessions that have been granted to borrowers who have experienced financial difficulties are considered troubled debt restructurings (TDR). These concessions typically would result from DreamSpring's loss mitigation activities and may include suspension of interest, payment extensions, forgiveness of principal, forbearance, and other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period.

When DreamSpring modifies loans in a TDR, it evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or uses the current fair value of collateral, less selling costs for collateral dependent loans. If DreamSpring determines that

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable – Continued

the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, DreamSpring evaluates TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

8. Derivative Financial Instrument

DreamSpring has an agreement used to minimize the amount of loss DreamSpring could be exposed to by nonperforming participation loans. See Note F. Under generally accepted accounting principles, the agreement is treated as a derivative financial instrument of which the fair value is reported as an asset in the accompanying consolidated statements of financial position. The change in fair value is recognized as an addition to or deduction from net assets in the accompanying consolidated statements of activities and changes in net assets. The derivative is considered a Level 3 investment within the fair value hierarchy.

9. Property, Equipment and Software

Property, equipment and software are stated at cost. DreamSpring capitalizes all acquisitions greater than $2,500 for the years ended December 31, 2020 and 2019. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years and is allocated to each functional category based on utilization. Land is not depreciated. Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was $248,902 and $211,774, respectively.

10. Net Assets

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of DreamSpring and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. No designations have been made for specific purposes at December 31, 2020 and 2019.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Net Assets – Continued

Net Assets With Donor Restrictions – net assets that are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, as such those will be met either by actions of DreamSpring and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

11. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2020 and 2019, DreamSpring received and recognized $18,174 and $20,539 of donated services and $623,461 and $319,025 of imputed interest on below market interest bearing notes, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of DreamSpring.

12. Functional Allocation of Expenses

The costs of providing the fundraising activities, various programs, and supporting services have been allocated to functions based on payroll hours, square footage utilized, and/or actual expenses incurred in the accompanying consolidated statements of functional expenses. Allocation of joint costs involving fundraising activities was allocated among the functional categories as DreamSpring satisfied the criteria of FASB ASC 958-720-45, *Not-for-Profit Entities*. Activities involving joint costs typically comprise public relations type events that include both a program and fundraising intent. Joint costs were allocated as follows:

	2020	2019
Program services	$ 43,117	$ 33,982
Fundraising	4,790	3,776
Total joint costs	$ 47,907	$ 37,758

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $446,276 and $148,650 for the years ended December 31, 2020 and 2019, respectively, and are included in marketing and development expenses.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Reclassified Amounts

Certain 2019 amounts have been reclassified to be consistent with the presentation of 2020 amounts.

15. Subsequent Events

On February 12, 2021, the Organization entered into a loan agreement with a private foundation for PPP lending for up to $6,250,000, bearing a 1% interest rate and maturing on June 30, 2022, with principal payments due within 15 days of amounts collected from the borrower or recovered through SBA guarantees.

On March 3, 2021, and April 6, 2021, the Organization entered into two debenture agreements for the purposes of PPP lending with one financial institution for up to $10,000,000 per agreement. The agreements bear a 1% interest rate and mature sixty months from closing date with principal payments to be made monthly from amounts collected on proceeds.

Subsequent events have been evaluated through April 30, 2021, the date the consolidated financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2020. Management does not believe any additional subsequent events have occurred that would require accrual or disclosure in these accompanying consolidated financial statements.

NOTE B – LIQUIDITY AND AVAILABILITY

DreamSpring's operations require financial assets available for general expenditures and for lending purposes, not restricted by donors or others. Following is a summary of liquidity sources available at December 31, 2020 and 2019, to meet operating and lending liquidity needs during each respective year:

	2020	2019
Total cash	$ 23,226,658	$ 6,041,597
Less: net assets with donor restrictions	(803,196)	(492,249)
Interest and other receivables	672,873	255,702
Contribution receivables expected to be received in subsequent year	57,946	275,314
Federal award receivables expected to be received in subsequent year	-	628,228
Small business loans receivable estimated to be collected in one year	18,224,000	18,700,000
Undrawn lines-of-credit and other debt	3,500,000	2,890,000
	$ 44,878,281	$ 28,298,592

NOTE B – LIQUIDITY AND AVAILABILITY – CONTINUED

The expected small business loans receivable estimated to be collected in one year does not include an unquantifiable amount in PPP forgiveness. In addition, the majority of the net assets with donor restrictions are expected to be released to net assets without donor restrictions available for operations subsequent to each year. Cash is deposited in demand deposit accounts with a number of financial institutions.

NOTE C – INVESTMENTS

Investments, including restricted endowment investment securities, are stated at fair value and consist of the following at December 31:

	2020		
	Cost	Fair Value	Unrealized Gain
Equity securities	$ 765,601	$ 1,005,597	$ 239,996
Mutual funds	149,928	156,422	6,494
Government and agency securities	79,312	86,134	6,822
Corporate bonds	57,927	64,807	6,880
Total	$ 1,052,768	$ 1,312,960	$ 260,192

	2019		
	Cost	Fair Value	Unrealized Gain
Equity securities	$ 772,094	$ 928,999	$ 156,905
Mutual funds	147,238	149,033	1,795
Government and agency securities	91,391	95,309	3,918
Corporate bonds	50,838	54,354	3,516
Total	$ 1,061,561	$ 1,227,695	$ 166,134

Investment returns consist of the following at December 31:

	2020	2019
Interest and dividends	$ 40,905	$ 44,148
Investment fees	(11,389)	(10,654)
	$ 29,516	$ 33,494

	2020	2019
Realized (losses)	$ (5,143)	$ (9,724)
Unrealized gains	92,232	202,108
	$ 87,089	$ 192,384

NOTE D – CONTRIBUTIONS RECEIVABLE

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and are recorded based on the existence of any donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. The effective rate used to discount unconditional promises to give was 8.5% at December 31, 2020 and 2019.

Amortization of the discount is included in contribution revenue. DreamSpring has provided an allowance for doubtful accounts which includes all pledges outstanding greater than 90 days, unless specifically excluded by management, and an additional 2% of the remaining outstanding balances.

Contributions receivable for each of the years succeeding December 31, 2020 and 2019, are expected to occur as follows:

	2020	2019
In less than one year	$ 57,946	$ 264,814
In one to five years	-	10,500
	57,946	275,314
Less: Allowance for doubtful accounts	(15,977)	(52,253)
Less: Discount to net present value	-	(1,212)
	$ 41,969	$ 221,849

Contributions receivable are primarily from individuals, major charitable foundations, and local businesses. Various contributions are also made by either DreamSpring's Board of Directors or employees.

DreamSpring is the beneficiary of several bequests. No value has been assigned to the conditional promises as no formal documentation has been obtained from the donors.

During 2018, DreamSpring was awarded $4,700,000 of conditional multi-year grants from two foundations. The grants reimburse DreamSpring for certain specified expenses as incurred. Because of these conditions, the full amount of the award was not recorded. Revenues recognized during 2020 and 2019 for these grants totaled $1,200,000 and $750,000, respectively.

NOTE D – CONTRIBUTIONS RECEIVABLE – CONTINUED

During 2015, DreamSpring was awarded a $750,000 conditional multi-year grant from a foundation. The grant reimburses DreamSpring for certain specified expenses as incurred. Because of these conditions, the full amount of the award was not recorded. Expenses reimbursed to date under this grant totaled $68,948 in 2020 and $137,434 in 2019.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE

The components of small business loans receivable as of December 31, are as follows:

	2020	2019
PPP loans	$ 33,669,034	$ -
Microbusiness loans	16,801,891	23,085,577
Small business loans	12,648,277	15,019,928
Commercial real estate	5,128,893	6,858,682
	68,248,095	44,964,187
Less: Loan loss allowance	(4,808,506)	(5,051,305)
	$ 63,439,589	$ 39,912,882

The loan categories in the table above included net deferred fees and costs of $540,844 for the PPP loans as of December 31, 2020. No net deferred fees and costs for the other loan categories are included for both 2020 and 2019.

Loans receivable are recorded at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date and is placed on nonaccrual status. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential losses inherent in the loan portfolio. When all or a portion of a loan balance reaches 180 days delinquency, it is deemed uncollectible, and the remaining loan balance is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends.

Loan receivable includes both unsecured and secured loans. Collateral is secured based on the particular loan profile including commercial real estate, business assets, vehicle titles, and personal residences. Generally, collateral on loans will cover only a portion of the loan balance. Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximates the present value of expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	2020	2019
Balance at beginning of year	$ 5,051,305	$ 4,148,134
Provision charged to expense	2,344,818	3,763,240
Loans charged off	(2,995,686)	(3,136,005)
Recoveries	408,069	275,936
Balance at end of year	$ 4,808,506	$ 5,051,305

DreamSpring has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately $95,750 and $350,700 in 2020 and 2019, respectively, were covered by this agreement resulting in the lender taking losses of approximately $71,800 and $263,400 in 2020 and 2019, respectively. See Note F for further details about this agreement.

Management evaluates loans for credit quality at least quarterly, but more frequently if certain circumstances occur, such as material new information which becomes available and indicates a potential change in credit risk. Credit quality is based on the aging status of the loan and by payment activity.

When loans have been modified and economic concessions are granted to borrowers who have experienced financial difficulties, these loans are considered a troubled debt restructuring (TDR). Specifically, loans are considered TDRs when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDRs. After a loan is restructured once, it may not be modified again. Total number of TDRs of 182 and 191 have outstanding balances as of December 31, 2020 and 2019, of $2,006,094 and $2,380,983, respectively. The specific valuation allowance for these TDRs has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for TDR loan losses was $653,242 and $1,028,290 at December 31, 2020 and 2019, respectively.

The following tables present informative data for financial receivables regarding their aging at December 31:

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

	Small business loans receivable	
	2020	2019
Current	$ 32,259,149	$ 40,694,276
1-30 Days	764,804	2,058,171
Past due and non accrual:		
31-60 Days	468,624	904,666
61-90 Days	346,347	407,262
91-120 Days	241,454	399,297
120-180 Days	444,954	268,284
>180 Days	53,809	232,231
Total past due and non accrual	1,555,188	2,211,740
Small business loans receivable	34,579,141	44,964,187
Less: Loan loss reserve allowance	(4,808,506)	(5,051,305)
Total small business loans receivable	$ 29,770,635	$ 39,912,882
Small business loans receivable past due > 30 days and still accruing interest	$ -	$ -

During 2020, DreamSpring made loans under the Paycheck Protection Program (PPP) to qualifying small businesses. The terms of the loans made under PPP were 24-60 months, 1% interest rates, deferred interest payments and are subject to be forgiven by the U.S. Small Business Administration (SBA). Since the PPP loans receivable are fully guaranteed by the SBA, no loan loss reserve allowance has been provided.

The following table presents informative data for financial receivables for PPP loans regarding their aging at December 31:

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

	Small business PPP loans receivable 2020
Current	$ 33,668,954
1-30 Days	-
Past due and non accrual:	
31-60 Days	-
61-90 Days	-
91-120 Days	-
120-180 Days	-
>180 Days	-
Total past due and non accrual	-
Small business PPP loans receivable	33,668,954
Less: Loan loss reserve allowance	-
Total small business PPP loans receivable	$ 33,668,954
Small business PPP loans receivable past due > 30 days and still accruing interest	$ -

DreamSpring also entered into a Memorandum of Agreement (MOA) with a third party to fund PPP loans and service the loans. DreamSpring does not have participation or ownership interest in such loans. DreamSpring is required to pay the third party any amounts received as payment of principal but is not obligated to pay any interest that may have been received on the loans. The program funding will terminate upon the termination of the Paycheck Protection Program or modification of the Paycheck Protection Program that reduces or eliminates the SBA guaranty of loans. The loans will continue to be serviced through either forgiveness granted or payments made by the borrower. The total PPP loans outstanding as of December 31, 2020, under this MOA was $25,831,678. Because DreamSpring does not have participation or ownership interest, these loans are not included as part of the outstanding small business loans receivable on the consolidated statements of financial position.

NOTE F – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT

DreamSpring has an ongoing Memorandum of Agreement (MOA), which was restated and amended in 2013, with a third party to purchase a portion of loans made in New Mexico by DreamSpring. The third party will purchase 75% of the principal disbursed for individual loans DreamSpring designates for participation (participation loans). In accordance with generally accepted accounting principles, this agreement does not qualify as a sale and, therefore, is accounted for as secured debt. The agreement was amended in 2016 to increase funding up to $7,750,000. The agreement was modified in 2020 to add $5,000,000 to funds available and create a 2020 lending program that includes a subset COVID-19 lending program. Third party losses on participation loans made prior to November 2013 are shared according to the participation percentage. Losses to the third party on participation loans made subsequent to October 2013, including those issued under the 2020 lending program, are limited to 1% annually of the average outstanding balance.

DreamSpring must repay the secured debt as DreamSpring collects principal payments on the participation loans. This arrangement is considered an embedded derivative, and its fair value of $107,785 and $152,948 as of December 31, 2020 and 2019, respectively, is recorded as an asset on the accompanying consolidated statements of financial position.

The fair value is estimated based on the present value of the estimated allowance for loan loss on 75% of the participation loans.

Additions are included in other revenue on the accompanying consolidated statements of activities and changes in net assets. Reductions are recorded as decreases in the derivative instrument and other revenue.

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balances of $6,103,082 and $7,512,790 as of December 31, 2020 and 2019, respectively. The remaining interest earned on the participation loans is retained by DreamSpring. Interest expense on the secured debt was $161,425 and $221,761 for the years ended December 31, 2020 and 2019, respectively. The MOA does not have a specified expiration date but has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOA until the joint portfolio is collected.

NOTE G – PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consists of the following at December 31:

	2020	2019
Building	$ 2,252,551	$ 2,248,324
Computer equipment and software	774,141	734,851
Furniture and office equipment	275,569	275,569
	3,302,261	3,258,744
Less accumulated depreciation	(1,260,406)	(1,011,504)
Total	$ 2,041,855	$ 2,247,240
Land	$ 1,003,216	$ 1,003,216

NOTE H – PROGRAM ADVANCES

On May 6, 2020, DreamSpring received a low interest loan in the amount of $757,753 under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration as a result of the novel strain of coronavirus (COVID-19) outbreak. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the twenty-four week period beginning on the loan origination date). In addition, employers must maintain specified employment and wage levels, and submit adequate documentation of such expenditures to qualify for loan forgiveness. As of December 31, 2020, DreamSpring has applied for forgiveness and has been notified the forgiveness application has been submitted for further review. Because of the uncertainty, DreamSpring accounts for the PPP loan as a conditional contribution and therefore the loan is recorded as a refundable program advance in the accompanying consolidated financial statements. As of December 31, 2020, no amount of the refundable program advance was recognized as revenue as management is uncertain as to whether they will be granted forgiveness of all or a portion of the loan.

On August 19, 2020, DreamSpring entered into a subgrant with Colorado Housing and Finance Authority to provide financial assistance to qualifying small businesses in the state of Colorado under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). DreamSpring received two advances totaling $4,905,234. Financial assistance payments obligated but not disbursed was $519,927 at December 31, 2020, and was recorded as a program advance. The undisbursed financial assistance payments were made by February 2021. Because the subgrant was part of the CARES Act and is expected to be a one-time event as a response to COVID-19, management is presenting this funding source and the corresponding expenditures as other activities in the consolidated statements of activities and changes in net assets.

NOTE H – PROGRAM ADVANCES – CONTINUED

On September 24, 2020, DreamSpring received a financial assistance award from the Community Development Finance Institutions Fund (CDFI). As part of the award, a total of $400,000 of initial payments were advanced to DreamSpring. Unexpended amounts recorded as a program advance were $9,673 at December 31, 2020.

NOTE I – UNSECURED LINES-OF-CREDIT OUTSTANDING

DreamSpring has unsecured lines-of-credit with financial institutions as follows:

Financial Institution	Limit	Interest Rate	Maturity Date	Restrictive Covenants	Outstanding Balance 2020	Outstanding Balance 2019
First National, a division of Sunflower Bank N.A.	$ 1,000,000	2.00%	October 2021	Yes	$ 1,000,000	$ 1,000,000
First National, a division of Sunflower Bank N.A.	1,000,000	2.00%	October 2021	Yes	1,000,000	1,000,000
Pacific Premier	1,000,000	2.00%	January 2022	Yes	1,000,000	-
Bank of the West	600,000	2.00%	Full payment with written termination	Yes	599,999	-
Washington Federal	1,500,000	2.50%	March 2023	Yes	-	1,500,000
Mutual of Omaha Bank	1,000,000 (reduced by $100,000 each year starting October 2022 - 2026)	2.00%	October 2022 subject to an extension to October 2027	Yes	-	1,000,000
United Business Bank	2,000,000	2.00%	January 2020, changed to note payable subsequent to 2019	Yes	-	1,000,000
Compass Bank	1,000,000	2.50%	June 2022	Yes	-	-
					$ 3,599,999	$ 5,500,000

DreamSpring was in compliance with all restrictive covenants on the unsecured lines-of-credit or had received waivers where applicable.

NOTE J – UNSECURED NOTES PAYABLE

Unsecured notes payable consist of the following at December 31:

	2020	2019
Note payable with federal reserve under the Paycheck Protection Program (PPP), due when underlying PPP loans mature or are forgiven, .35% interest per annum.	$ 23,440,152	$ -
Note payable with Zoma Foundation, due when underlying PPP loans are forgiven or collected with final balance due May 2023, 0% interest per annum.	8,190,135	-
Note payable with Bank of America, net of issuance costs, due as follows: $1,000,000 due September 2021, $2,000,000 due September 2022, $1,000,000 due September 2023 and $1,500,000 due September 2024, 3% interest per annum.	5,498,231	6,497,335
Subordinated note payable with Wells Fargo, full payment due June 2028, 2% interest per annum.	2,425,000	2,425,000
Note payable with The Colorado Health Foundation, due August 2023, 1% interest per annum.	2,750,000	1,750,000
Subordinated note payable with Compass Bank, due November 2025, 2.5% interest per annum.	2,000,000	2,000,000
Subordinated note payable with Zion's Bank, due May 2030, 2% interest per annum.	1,500,000	-
Note payable with Kellogg Foundation, $200,000 due 2021 - 2025, 1% interest per annum.	1,000,000	1,000,000
Subordinated note payable with First Bank, due September 2029, 2% interest per annum.	1,000,000	1,000,000
Subordinated note payable with First National Bank of Nebraska, due April 2025, 1% interest per annum.	1,000,000	-
Note payable with Piton Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000
Note payable with Gates Family Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000

NOTE J – UNSECURED NOTES PAYABLE – CONTINUED

	2020	2019
Subordinated note payable with Wells Fargo, due December 2025, 2% interest per annum.	400,000	400,000
Subordinated note payable with Wells Fargo, due September 2026, 2% interest per annum.	250,000	250,000
Note payable with Colorado Department of Local Affairs, due upon mutual agreed terms, 0% interest per annum.	218,299	250,000
Subordinated note payable with Dallas Development Fund, full payment due August 2029, 1% interest per annum.	250,000	250,000
Note payable with Albuquerque Community Foundation, due July 2025, 2% interest per annum unless fund were used for PPP lending which bears 0% interest.	250,000	-
Note payable with Kenneth King Foundation, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Chinook Fund, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Liman Family Fund, full payment due December 2024, 2% interest per annum.	50,000	50,000
Note payable with Women's Foundation of Colorado, full payment due December 2029, 2% interest per annum.	50,000	-
Note payable with Valero Payment Services Company, an affiliate of DSRM National Bank, full payment due April 2026, 2% interest per annum.	20,000	20,000
	$ 51,391,817	$ 16,992,335

NOTE J – UNSECURED NOTES PAYABLE – CONTINUED

At December 31, 2020, future principal repayments are as follows:

2021	$ 1,418,299
2022	2,200,000
2023	12,140,135
2024	1,748,231
2025	27,310,152
Thereafter	6,575,000
	$ 51,391,817

DreamSpring incurred $733,019 and $721,036 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2020 and 2019, respectively. Additionally, DreamSpring also recorded in-kind contributions and in-kind expense totaling $623,461 and $319,025 in imputed interest, using rates between 3.25% - 5.25% during the years ended December 31, 2020 and 2019, respectively, to recognize the interest savings benefit realized on zero-percent and below market rate notes.

The terms of the notes payable to the banks and foundations place certain restrictions on DreamSpring, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirements, minimum loan loss allowance requirements, and maximum bank concentration requirements. At December 31, 2020, DreamSpring was in compliance with all such requirements or had received an approved waiver where applicable.

NOTE K – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that DreamSpring has the ability to access.

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from December 31, 2019 through 2020.

Mutual funds: Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

Equity securities: Valued at publicly traded market value.

Embedded derivative instrument: Estimated based on the present value of the estimated allowance for loan loss on 75% of participation loans.

Government and agency securities and corporate and other bonds: Valued at an evaluated price which is based on a compilation of primarily observable market information or a broker quote in a nonactive market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although DreamSpring believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of assets measured are as follows:

Assets at Fair Value as of December 31, 2020

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long-term bond	$ 28,189	$ 32,364	$ -	$ 60,553
Short-term bond	15,048	-	-	15,048
Intermediate-term bond	7,488	3,045	-	10,533
Corporate and other bonds:				
Intermediate-term bond	-	48,780	-	48,780
Long-term bond	-	16,027	-	16,027
Equity securities:				
Information technology	170,640	-	-	170,640
Health care	138,252	-	-	138,252
Financials	134,852	-	-	134,852
Industrials	126,447	-	-	126,447
Consumer discretionary	107,998	-	-	107,998
Real estate	107,811	-	-	107,811
Consumer staples	69,168	-	-	69,168
Telecommunication services	59,038	-	-	59,038
Materials	45,659	-	-	45,659
Utilities	26,464	-	-	26,464
Energy	19,268	-	-	19,268
Mutual funds:				
Fixed income	156,422	-	-	156,422
Embedded derivative instrument	-	-	107,785	107,785
Total assets at fair value	$ 1,212,744	$ 100,216	$ 107,785	$ 1,420,745

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long-term bond	$ 32,295	$ 56,085	$ -	$ 88,380
Short-term bond	4,061	-	-	4,061
Intermediate-term bond	-	2,868	-	2,868
Corporate bonds:				
Intermediate-term bond	-	27,032	-	27,032
Long-term bond	-	14,303	-	14,303
Short-term bond	-	13,019	-	13,019
Equity securities:				
Information technology	146,655	-	-	146,655
Financials	143,224	-	-	143,224
Health care	125,645	-	-	125,645
Industrials	112,264	-	-	112,264
Real estate	109,206	-	-	109,206
Consumer discretionary	83,533	-	-	83,533
Consumer staples	65,035	-	-	65,035
Materials	41,822	-	-	41,822
Telecommunication services	39,995	-	-	39,995
Energy	31,923	-	-	31,923
Utilities	29,697	-	-	29,697
Mutual funds:				
Fixed income	149,033	-	-	149,033
Embedded derivative instrument	-	-	152,948	152,948
Total assets at fair value	$ 1,114,388	$ 113,307	$ 152,948	$ 1,380,643

The following table sets forth a summary of changes in the fair value of DreamSpring's level 3 assets for the year ended December 31, 2020:

	Embedded Derivative Instrument
Balance, beginning of year	$ 152,948
Change in fair value	(45,163)
Balance, end of year	$ 107,785

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following at December 31:

	2020	2019
Restricted for purpose:		
Specified grant expenses	$ 761,227	$ 270,400
Restricted for time:		
Pledges receivable	57,946	275,314
Less: Allowance for uncollectible unconditional promises to give	(15,977)	(52,253)
Less: Discount on unconditional promises to give	-	(1,212)
	803,196	492,249
Endowments:		
Subject to DreamSpring's endowment spending policy and appropriation:		
Loan portfolio	1,495,493	1,495,493
General operations	706,178	706,178
Total endowments	2,201,671	2,201,671
	$ 3,004,867	$ 2,693,920

Endowment restricted net assets may be invested in DreamSpring’s loan portfolio, cash, or investments, as designated by the donor.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2020	2019
Restricted for time and/or purpose:		
Specified grant expenses	$ 1,311,535	$ 2,282,910
Various grants and donations	-	688,016
Restricted for time:		
Pledges receivable	1,174,312	486,642
	2,485,847	3,457,568
Restricted-purpose spending-rate distributions and appropriations:		
General operations	221,407	402,071
	221,407	402,071
	$ 2,707,254	$ 3,859,639

NOTE M – ENDOWMENT FUNDS

1. Interpretation of Relevant Law

DreamSpring's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of New Mexico during 2009 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, DreamSpring classifies as endowment restricted net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to endowments, and (3) accumulations to the endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor restrictions, investment income will be classified as unrestricted. DreamSpring's endowments include only donor-restricted endowment funds.

NOTE M – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

The following table reflects endowment restricted net assets subject to UPMIFA:

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 2,201,671	$ 2,201,671
Total funds	$ -	$ 2,201,671	$ 2,201,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 2,201,671	$ 2,201,671
Investment return:			
Investment income net of fees of $10,679	-	134,318	134,318
Net appreciation (realized and unrealized)	-	87,089	87,089
	-	2,423,078	2,423,078
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(221,407)	(221,407)
Endowment net assets, end of year	$ -	$ 2,201,671	$ 2,201,671

NOTE M – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 2,201,671	$ 2,201,671
Total funds	$ -	$ 2,201,671	$ 2,201,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 2,201,671	$ 2,201,671
Investment return:			
Investment income net of fees of $10,361	-	210,160	210,160
Net appreciation (realized and unrealized)	-	191,911	191,911
	-	2,603,742	2,603,742
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(402,071)	(402,071)
Endowment net assets, end of year	$ -	$ 2,201,671	$ 2,201,671

	2020	2019
Endowment restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 2,201,671	$ 2,201,671
Total endowment restricted net assets	$ 2,201,671	$ 2,201,671

NOTE M – ENDOWMENT FUNDS – CONTINUED

2. Investment and Spending Objectives

Endowment funds may be invested in DreamSpring's loan portfolio, cash, or investments, as designated by the donor. Portions of DreamSpring's investment balances meet liquidity needs and preserve capital. Investment and interest income earned on endowment restricted assets are considered unrestricted and are available for spending. The overall return goal targets an excess of the current bond yield while protecting principal. The primary risk control mechanism for endowment funds is asset allocation, and within the asset allocation, diversification between asset classes. Currently, the target asset allocation model for endowment funds is 60% equities, 25% fixed income, and 15% alternative investments (such as gold and real estate). These targets were met during the current year. Investment advisors have been retained for investment purposes and the investment committee periodically monitors performance.

The following table reflects the assets held for the endowment funds:

	2020	2019
Restricted endowment investment securities	$ 706,178	$ 706,178
Investments in loan portfolio	1,495,493	1,495,493
	$ 2,201,671	$ 2,201,671

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires DreamSpring to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2020 and 2019.

NOTE N – EMPLOYEE SAVINGS PLAN

DreamSpring sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with DreamSpring in the previous calendar year. DreamSpring will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2020 and 2019, as established by the Internal Revenue Service, were $13,500 and $13,000, respectively. For the years ended December 31, 2020 and 2019, DreamSpring's expense for the plan was $41,598 and $43,780, respectively.

NOTE O – CONTINGENCIES

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2020.

NOTE P – CAPITAL LEASE OBLIGATION

Equipment under a capital lease obligation consists of computers with a capitalized cost of $88,086. The asset and liability are recorded at the lower of the present value of the minimum payment or the fair value of the asset. The asset is amortized over the estimated useful life of the lease. Amortization of the asset under the capital lease is included in depreciation expense for the years ended December 31, 2020 and 2019. The following is a summary of the property held under the capital lease:

Computer equipment	$	88,086
Accumulated amortization		(53,207)
Net book value at December 31, 2020	$	34,879

Future minimum lease payments under the capital lease as of December 31, 2020, were as follows:

2021	$	32,255
2022		6,061
Total minimum lease payments		38,316
Amount representing interest		(1,775)
Present value of net minimum lease payments	$	36,541

The interest rate on the capitalized lease is 5.25% and imputed based on the lower of DreamSpring's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. The lease is for a three-year period and expires in April 2022.

NOTE Q – NOVEL CORONAVIRUS GLOBAL PANDEMIC

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on DreamSpring's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak as well as impact on borrowers, donors, employees and vendors, all of which are uncertain and cannot be predicted.

NOTE R – NEW ACCOUNTING STANDARDS

1. In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 *Leases* (FASB Codification Topic 842), along with several amendments, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position (balance sheet) and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statements of cash flows. This ASU is effective for fiscal years beginning after December 15, 2021.

2. In June 2016, the FASB issued ASU 2016-13 *Financial Instruments – Credit Losses,* along with several amendments, which requires a financial asset or group of financial assets measured at amortized cost to be presented at the net amount expected to be collected. Using judgement in determining relevant information and estimation methods, the measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability for the reported amount. In November 2018, the FASB issued ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* which provides transition guidance and operating lease guidance. This ASU is effective for fiscal years beginning after December 15, 2021, for not-for-profit entities, but early adoption is permitted.

3. In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958) to increase the transparency of contributed nonfinancial assets. The amendments in this update enhance presentation and disclosure for contributed nonfinancial assets. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after June 15, 2021. Early adoption is permitted.

As of the date of these financial statements, management has evaluated these new ASUs and is working to implement the applicable guidance and requirements in the period the ASUs become effective.

SUPPLEMENTARY INFORMATION

DreamSpring and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2020

Federal Grantor - Pass-Through Grantor - Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Treasury			
Colorado Housing and Finance Authority			
Coronavirus relief program	21.019	CTGG1-2021-0158	$ 4,905,234
Community Development Financial Institutions Fund Program			
Financial Assistance - 20FA	21.020		390,327
Financial Assistance - 19FA	21.020		85,771
Total Department of Treasury			**5,381,332**
Department of Agriculture			
Rural Business Development Grant			
Program - 36-001-850417347	10.351		$ 5,126
Total Department of Agriculture			**5,126**
Total Expenditures of Federal Awards			**$ 5,386,458**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – SIGNIFICANT ACCOUNTING POLICY

The accompanying schedule of expenditures of federal awards includes the federal grant activity of DreamSpring and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic consolidated financial statements. DreamSpring elected not to use the 10% de minimis indirect cost rate.

NOTE B – FEDERAL AWARD EXPENDITURES

The accompanying schedule of expenditures of federal awards includes $476,098 that was expended in the form of issuing small business loans receivable which are included in the small business loans receivable balance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
DreamSpring and Subsidiaries
Albuquerque, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of DreamSpring and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DreamSpring and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DreamSpring and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of DreamSpring and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DreamSpring and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, NM
April 30, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
DreamSpring and Subsidiaries
Albuquerque, NM

Report on Compliance for Each Major Federal Program

We have audited DreamSpring and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DreamSpring and Subsidiaries' major federal programs for the year ended December 31, 2020. DreamSpring and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of DreamSpring and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DreamSpring and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of DreamSpring and Subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, DreamSpring and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

DreamSpring and Subsidiaries' response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DreamSpring and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of DreamSpring and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DreamSpring and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DreamSpring and Subsidiaries' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

DreamSpring and Subsidiaries' response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DreamSpring and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, NM
April 30, 2021

DreamSpring and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2020

I. Summary of Auditors' Results

Financial statements

A. Type of report the auditor issued on whether the consolidated financial statements were prepared in accordance with GAAP: Unmodified

B. Internal control over financial reporting:

- Material weaknesses identified — Yes___ No _X_
- Significant deficiencies identified — Yes___ None Reported _X_

C. Noncompliance material to the consolidated financial statements noted? — Yes___ No _X_

Federal awards:

A. Type of auditors' report issued on compliance for major federal programs: Unmodified

B. Internal control over major programs:

- Material weaknesses identified — Yes___ No _X_
- Significant deficiencies identified — Yes_X_ None Reported ___

C. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? — Yes_X_ No ___

D. Identification of major federal award programs:

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus relief program

E. Dollar threshold used to distinguish type A and type B programs: $750,000

F. DreamSpring and Subsidiaries qualified as a low-risk auditee? — Yes____ No _X_

II. Financial Statement Audit Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2020

III. Findings and Questioned Costs – Major Federal Award Programs

2020-001: Ineligible Small Business Financial Assistance (Other Noncompliance) (Significant Deficiency)

IV. Prior Year Financial Statement Audit Findings

None

V. Prior Year Findings and Questioned Costs – Major Federal Award Programs

None

Findings and Questioned Costs – Major Federal Award Programs

Finding 2020-001: Ineligible Small Business Financial Assistance (Other Noncompliance) (Significant Deficiency)

Federal Agency: Department of Treasury
Title: Coronavirus relief program
CFDA Number 21.019
Pass-Through Agency: Colorado Housing and Finance Authority
Pass-Through Number: CTGG1-2021-0158
Award Period: August 19, 2020 through December 31, 2002

Criteria: DreamSpring received a subgrant from Colorado Housing and Finance Authority under the CARES Act to provide financial assistance to small businesses in the state of Colorado who were impacted by the COVID-19 pandemic. The small business had to meet a number of requirements to be eligible for the financial assistance. One of the requirements was the small business had to be in good standing with the Secretary of State of Colorado.

Condition: DreamSpring made financial assistance payments to 5 of 60 disbursements tested to small businesses that were either not in good standing or support could not be provided to substantiate being in good standing with the Secretary of State of Colorado at the time the evaluation of the small business was made.

Questioned costs: $26,722

Context: DreamSpring was not able to provide the certificates of good standing issued by the Secretary of State of Colorado as part of the evaluation of the financial assistance determination. These documents were required to be included as part of the evaluation process for businesses that were not sole proprietors.

Findings and Questioned Costs – Major Federal Award Programs – Continued

Finding 2020-001: Ineligible Small Business Financial Assistance (Other Noncompliance) (Significant Deficiency) – Continued

Cause: DreamSpring did not save the support for ensuring the businesses were in good standing with the Secretary of State of Colorado at the time of evaluation or the information on the Secretary of State's website indicated the small business was not in good standing.

Effect: Financial assistance payments may have been made to small businesses that were not eligible preventing other small businesses that may have been eligible from receiving the financial assistance.

Recommendation: We recommend DreamSpring implement and communicate policies and procedures that would ensure the necessary support was obtained and saved to substantiate financial assistance was made to eligible small businesses.

Views of Responsible Official and Corrective Action Plan: DreamSpring entered into this contract, which is beyond the scope of our core business model, as a way of further serving hard-hit Colorado entrepreneurs during the pandemic.

One DreamSpring team member received training from the program administration staff who then trained the rest of the team on the required procedures. The Fluxx system, issued by the program administrators, attempted to control the process by prompting the user to upload the required documents in a specific way. Unfortunately, the system was full of technical glitches and documents often took multiple attempts before being uploaded properly. The system also prompted the user to upload documents that were unnecessary in all cases. For example, the Certificate of Good Standing was not required for Sole Proprietor businesses which forced the users to regularly bypass notifications. These circumstances, along with the high volume of requests, and the one-time nature of the project, created less-than-ideal conditions despite our best attempt to follow the guidelines of the program.

Upon notice of missing items, the DreamSpring team took two courses of action. First, the team reviewed file databases looking for records that the work was performed but not uploaded. Second, the team pulled additional Certificates of Good Standing to confirm these clients were in good standing at the time the grant was issued. In hindsight, 4 of the 5 were in good standing and eligible for the financial assistance. Only one was found to be issued incorrectly.

The program is not ongoing; therefore, there are no specific correcting actions going forward.

IDENTIFICATION OF AUDIT PRINCIPAL

For the Year Ended December 31, 2020

Audit Principal:	Barbara Lewis, CPA
Name and address of independent accounting firm:	CliftonLarsonAllen LLP 6501 Americas Parkway NE Suite 500 Albuquerque, New Mexico 87110
Audit period:	Year Ended December 31, 2020
Telephone Number:	(505) 842-8290
Federal Employee ID Number:	41-0746749