

DOLPHIN SCHOLARSHIP FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



DOLPHIN SCHOLARSHIP FOUNDATION

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 12

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dolphin Scholarship Foundation
Virginia Beach, Virginia

We have audited the accompanying financial statements of Dolphin Scholarship Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's judgment, including the assessment of the risk 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 Dolphin Scholarship Foundation of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Brock, Cornwell & Painter, PLC

November 5, 2019
Chesapeake, Virginia

DOLPHIN SCHOLARSHIP FOUNDATION

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	ASSETS	2019	2018
CURRENT ASSETS:			
Cash and cash equivalents		\$ 154,134	\$ 181,575
Investments		5,683,820	5,058,704
Accrued investment income		8,328	9,369
Accounts receivables		14,800	18,500
Inventory		7,335	13,515
Prepaid expense		1,057	1,121
		<u>\$ 5,869,474</u>	<u>\$ 5,282,784</u>
FURNITURE AND EQUIPMENT:			
Furniture and equipment		\$ 21,200	\$ 55,203
Less accumulated depreciation		<u>19,948</u>	<u>49,448</u>
		<u>\$ 1,252</u>	<u>\$ 5,755</u>
OTHER ASSET:			
Security deposit		<u>\$ 950</u>	<u>\$ 950</u>
		<u>\$ 5,871,676</u>	<u>\$ 5,289,489</u>
TOTAL ASSETS			
		<u>\$ 5,871,676</u>	<u>\$ 5,289,489</u>
	LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:			
Accounts payable		\$ 5,657	\$ 3,133
Payroll taxes withheld and accrued expenses		2,256	2,283
Deferred revenue		<u>10,000</u>	<u>-</u>
		<u>\$ 17,913</u>	<u>\$ 5,416</u>
TOTAL CURRENT LIABILITIES			
		<u>\$ 17,913</u>	<u>\$ 5,416</u>
NET ASSETS:			
Without donor restrictions:			
Available for operations		\$ 364,553	\$ 442,576
Board designated funds		4,623,097	4,300,253
Total without donor restrictions		<u>\$ 4,987,650</u>	<u>\$ 4,742,829</u>
With donor restrictions		<u>866,113</u>	<u>541,244</u>
		<u>\$ 5,853,763</u>	<u>\$ 5,284,073</u>
TOTAL NET ASSETS			
		<u>\$ 5,853,763</u>	<u>\$ 5,284,073</u>
TOTAL LIABILITIES AND NET ASSETS			
		<u>\$ 5,871,676</u>	<u>\$ 5,289,489</u>

See independent auditor's report and accompanying notes to financial statements.

DOLPHIN SCHOLARSHIP FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Comparative 2018 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	\$ 209,577	\$ 256,900	\$ 466,477	\$ 318,907
Special events, net of expenses \$21,751 and \$13,795, respectively	59,012	-	59,012	79,301
Net assets released from restrictions	25,102	(25,102)	-	-
Total operating revenue and support	\$ 293,691	\$ 231,798	\$ 525,489	\$ 398,208
OPERATING EXPENSES:				
Program services	\$ 490,137	\$ -	\$ 490,137	\$ 497,352
Management and general	51,609	-	51,609	52,196
Fundraising	39,350	-	39,350	41,581
Total operating expenses	\$ 581,096	\$ -	\$ 581,096	\$ 591,129
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	\$ (287,405)	\$ 231,798	\$ (55,607)	\$ (192,921)
NON-OPERATING ACTIVITIES:				
Interest and dividend income	\$ 105,974	\$ 26,778	\$ 132,752	\$ 126,741
Realized gain on investments	53,042	66,293	119,335	64,181
Unrealized gain on investments	374,710	-	374,710	183,361
Loss on disposal of furniture and equipment	(1,500)	-	(1,500)	-
Sublet rental income	-	-	-	2,488
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	\$ 532,226	\$ 93,071.00	\$ 625,297	\$ 376,771
CHANGE IN NET ASSETS	\$ 244,821	\$ 324,869	\$ 569,690	\$ 183,850
NET ASSETS, BEGINNING OF YEAR	4,742,829	541,244	5,284,073	5,100,223
NET ASSETS, END OF YEAR	\$ 4,987,650	\$ 866,113	\$ 5,853,763	\$ 5,284,073

See independent auditor's report and accompanying notes to financial statements.

DOLPHIN SCHOLARSHIP FOUNDATION

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	PROGRAM ACTIVITIES	SUPPORTING ACTIVITIES			2019 Total	Comparative 2018 Total
	Program Services	Management and General	Fundraising	Supporting Subtotal		
Salaries and wages	\$ 57,506	\$ 20,911	\$ 26,139	\$ 47,050	\$ 104,556	\$ 103,904
Payroll taxes	4,399	1,600	2,000	3,600	7,999	7,949
Total salaries and related expenses	\$ 61,905	\$ 22,511	\$ 28,139	\$ 50,650	\$ 112,555	\$ 111,853
Scholarship awards, net of refunds	387,150	-	-	-	387,150	385,617
Occupancy expense	15,673	3,358	3,358	6,716	22,389	22,729
Investments fees	-	15,653	-	15,653	15,653	15,194
Technology and website	9,134	1,957	1,957	3,914	13,048	11,840
Depreciation	2,101	450	450	900	3,001	11,825
Professional fees	3,942	845	845	1,690	5,632	5,884
Equipment rental and maintenance	-	4,989	318	5,307	5,307	5,218
Telephone	3,044	652	652	1,304	4,348	4,534
Insurance	2,309	495	495	990	3,299	3,834
Travel	1,166	-	-	-	1,166	3,288
Office expense	589	-	589	589	1,178	2,319
Registration fees	775	-	-	-	775	2,148
Bank fees	-	-	1,771	1,771	1,771	2,243
Postage	480	495	572	1,067	1,547	1,356
Miscellaneous expense	179	-	-	-	179	5
Security	433	93	93	186	619	479
Conferences and meetings	517	111	111	222	739	304
Marketing	740	-	-	-	740	459
Total expenses	<u>\$ 490,137</u>	<u>\$ 51,609</u>	<u>\$ 39,350</u>	<u>\$ 90,959</u>	<u>\$ 581,096</u>	<u>\$ 591,129</u>

See independent auditor's report and accompanying notes to financial statements.

DOLPHIN SCHOLARSHIP FOUNDATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 569,690	\$ 183,850
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	3,001	11,825
Donated investments included in contributions	(11,146)	(9,177)
Loss on disposal of furniture and equipment	1,500	
Net realized and unrealized gain on investments	(494,045)	(247,542)
(Increase) decrease in assets:		
Accrued investment income	1,041	1,525
Accounts receivable	3,700	11,262
Inventory	6,180	(751)
Prepaid expenses	64	827
Increase (decrease) in liabilities:		
Accounts payable	2,524	(2,211)
Payroll taxes withheld and accrued expenses	(27)	2,137
Deferred revenue	10,000	(10,500)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 92,482	\$ (58,756)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	\$ -	\$ (8,000)
Proceeds from sale of investments	579,700	677,787
Purchases of investments	(699,623)	(575,533)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (119,923)	\$ 94,254
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (27,441)	\$ 35,499
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	181,575	146,076
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 154,134	\$ 181,575
SUPPLEMENTAL DATA FOR NONCASH INVESTING:		
Donated investments	\$ 11,146	\$ 9,177

See independent auditor's report and accompanying notes to financial statements.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 1 - ORGANIZATION:

The Dolphin Scholarship Foundation (the "Foundation") is a non-profit organization established to ease the financial burden of undergraduate and vocational education for eligible members of the U.S. Submarine Force and their dependents. These personnel must have served actively for a minimum of eight years in the submarine fleet or actively for a minimum of ten years in a support group to the submarine fleet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional promises (pledges) are recognized when the donor makes a pledge to give to the Foundation and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Donated Services

The Foundation recognizes in-kind contributions as revenue and expense in the period in which they are received. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

DOLPHIN SCHOLARSHIP FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method.

Furniture and Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. It is the Foundation's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Gains and losses arising from retirements or dispositions are recognized in the period incurred.

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$3,001 and \$11,825, respectively.

Income Taxes

Dolphin Scholarship Foundation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt Foundation as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Foundation has no obligation for any unrelated business income tax. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Foundation's federal return of Foundation Exempt from Income Tax (Form 990) for 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

The Foundation receives most of its public support from individuals, corporate donations, and from profits of Dolphin stores and other fund-raising activities controlled by various submarine officers' spouses' clubs. Profits from these organization are remitted to the Dolphin Scholarship Foundation.

Advertising Costs

The Foundation expenses the cost of advertising when incurred. Advertising costs amounted to \$740 and \$459 for the years ended June 30, 2019 and 2018, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. 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. Money market funds maintained with investment portfolios are included with investments. Unrealized gains and losses are reported as changes in net assets in accompanying statements of activities. Realized gains and losses on investment transactions are determined on an average cost basis.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Functional Allocation of Expenses

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense:

Salaries and wages, and payroll taxes
Occupancy
Technology and website
Conferences and meetings
Insurance
Professional fees
Equipment rental and maintenance
Office expense
Depreciation
Telephone
Security
Postage

Method of Allocation:

Time and effort
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied

See independent auditor's report. Notes continued on next page.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

NOTE 3 - LIQUIDITY:

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

	<u>2019</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 154,134
Investments	5,683,820
Accounts receivable, net	<u>18,500</u>
Total financial assets	<u>5,856,454</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(866,113)
Board designated net assets	<u>(4,623,097)</u>
Financial assets not available to be used within one year	<u>(5,489,210)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 367,244</u>

The Foundation receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 - FAIR VALUE MEASUREMENTS:

FASB (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That 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 the Foundation has the ability to access.

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
- inputs other than quoted prices that are observable for the asset or
- 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 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.

DOLPHIN SCHOLARSHIP FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Common stock, corporate bonds, and U.S. Government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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 the Foundation 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019 and 2018.

Assets at Fair Value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 390,293	\$ -	\$ -	\$ 390,293
U.S. Government obligations	983,048	-	-	983,048
Corporate bonds	922,454	-	-	922,454
Corporate stocks	3,388,025	-	-	3,388,025
Total investments	<u>\$ 5,683,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,683,820</u>

Assets at Fair Value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 75,264	\$ -	\$ -	\$ 75,264
U.S. Government obligations	928,734	-	-	928,734
Corporate bonds	985,327	-	-	985,327
Corporate stocks	3,069,379	-	-	3,069,379
Total investments	<u>\$ 5,058,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,058,704</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Interest and dividends	\$ 105,974	\$ 26,778	\$ 132,752
Realized and unrealized gains	427,752	66,293	494,045
Total investment return	<u>\$ 533,726</u>	<u>\$ 93,071</u>	<u>\$ 626,797</u>
June 30, 2018			
Interest and dividends	\$ 113,341	\$ 13,400	\$ 126,741
Realized and unrealized gains	222,290	25,252	247,542
Total investment return	<u>\$ 335,631</u>	<u>\$ 38,652</u>	<u>\$ 374,283</u>

DOLPHIN SCHOLARSHIP FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

The Board of Directors believes that to achieve the greatest likelihood of meeting investment objectives and the best balance between risk and return for optimal diversification, the Foundation allocates assets in accordance with the target and allowance variation for each class as stated below:

Asset Classes	Target Allocation	Allowable Range
Fixed income - U.S.	49%	40 - 60%
Equity - U.S.	50%	40 - 60%
Cash	1%	1 - 5%

Consistent with the Dolphin Foundation Spending Policy, it is anticipated that up to 8% of the value of the Fund will be disbursed annually, normally in July or November of each year. Therefore, at least 10% of the Fund will be invested in instruments that can be quickly converted to cash with no significant adverse changes in value as a result of the liquidation.

NOTE 5 - NET ASSETS:

The composition of endowment net assets with donor restrictions at June 30, 2019 and 2018 are as follows:

	2019	2018
Specific purpose:		
Laura W. Bush Scholarship	\$ 398,333	\$ 365,175
Nautilus Educational Assistance Fund	128,042	113,382
USS Hampton Scholarship	67,025	62,687
USS Washington Scholarship	59,535	-
USS Colorado Scholarship	108,998	-
USS Indiana Scholarship	104,180	-
Total endowment funds classified as net assets with donor restrictions	\$ 866,113	\$ 541,244

Endowment net assets with donor restrictions are invested by the Foundation in accordance with rules and investment policies of the Foundation adopted by the Board of Directors.

Net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2019 and 2018:

	2019	2018
Net assets released from restrictions:		
Scholarships issued	\$ 14,200	\$ 7,800
Amounts appropriated for expenditure	10,902	19,235
Total net assets released from restrictions	\$ 25,102	\$ 27,035

At such time as it is determined by the board of Directors of the Foundation that there are no longer any individuals eligible to receive scholarships from the donor restricted funds, the programs will be discontinued. Any funds remaining therein will become part of the unrestricted assets of the Foundation and will be distributed as scholarships as part of the general scholarship program.

DOLPHIN SCHOLARSHIP FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 - OPERATING LEASE COMMITMENT:

The Foundation has an operating lease for its office facility. The original lease began on September 1, 2008 and ran through August 31, 2013. The lease has been amended effective September 1, 2017 to run until August 31, 2020. Rent expense for 2019 and 2018 were \$20,400 and \$20,304, respectively.

Future required lease payments are as follows:

June 30, 2020	20,400
June 30, 2021	<u>3,400</u>
Total	<u>\$ 23,800</u>

On September 2013, the Foundation entered into a one year sublease agreement with a non-profit organization for a portion of the above office space. The original lease agreement called for rental payments of \$394 per month to be paid to the Foundation through September 14, 2015. The lease was amended on October 1, 2016 to run through August 31, 2017. Thereafter, the sublease shall extend indefinitely until either party gives a sixty (60) day notice of termination. The agreement calls for rental payments of \$464 per month, to be paid to the Foundation. The lessee gave notice and did not renew the lease.

Payments in the amount of \$0 and \$2,488 for the above amounts have been reflected as rental income in the statements of activities for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 - CONCENTRATION OF RISK:

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and temporary cash investments. The Foundation places its cash and temporary cash investments with high credit quality depositories.

Financial instruments which potentially subject the Foundation to credit risk principally consist of temporary cash investments and securities. To minimize this risk, the Foundation places their cash and securities with high credit quality financial institutions insured by the FDIC and SIPC. Cash and cash equivalents are secured by the FDIC up to a standard maximum deposit insurance amount of \$250,000 per bank per entity for interest and non-interest bearing accounts. Securities are protected by the SIPC, which currently protects brokerage accounts of each entity up to \$500,000. As of June 30, 2019 and 2018, the Foundation had demand deposits on hand in financial institutions that exceeded the FDIC limits of \$138,654 and \$0, respectively. As of June 30, 2019 and 2018, the Foundation had securities in excess of protected SIPC amounts of \$4,795,166 and \$4,483,439, respectively.

NOTE 8 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 5, 2019, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through November 5, 2019 that would require adjustment to, or disclosure in, the financial statements.