

**DOLPHIN SCHOLARSHIP FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



**DOLPHIN SCHOLARSHIP FOUNDATION**

**FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***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, 2020 and 2019, 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*

September 18, 2020  
Chesapeake, Virginia

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

	ASSETS	2020	2019
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 81,438	\$ 154,134
Investments		5,767,688	5,683,820
Accrued investment income		7,491	8,328
Accounts receivables		41,185	14,800
Inventory		6,140	7,335
Prepaid expense		5,922	1,057
		<u>\$ 5,909,864</u>	<u>\$ 5,869,474</u>
<b>FURNITURE AND EQUIPMENT:</b>			
Furniture and equipment		\$ 21,200	\$ 21,200
Less accumulated depreciation		<u>20,943</u>	<u>19,948</u>
		<u>\$ 257</u>	<u>\$ 1,252</u>
<b>OTHER ASSET:</b>			
Security deposit		<u>\$ 950</u>	<u>\$ 950</u>
		<u>\$ 5,911,071</u>	<u>\$ 5,871,676</u>
	<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>			
Accounts payable		\$ 3,549	\$ 5,657
Payroll taxes withheld and accrued expenses		-	2,256
SBA PPP loan		21,900	-
Deferred revenue		<u>35,996</u>	<u>10,000</u>
		<u>\$ 61,445</u>	<u>\$ 17,913</u>
<b>NET ASSETS:</b>			
Without donor restrictions:			
Available for operations		\$ 211,269	\$ 364,553
Board designated funds		4,734,894	4,623,097
Total without donor restrictions		<u>\$ 4,946,163</u>	<u>\$ 4,987,650</u>
With donor restrictions		<u>903,463</u>	<u>866,113</u>
		<u>\$ 5,849,626</u>	<u>\$ 5,853,763</u>
		<u>\$ 5,911,071</u>	<u>\$ 5,871,676</u>

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

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Comparative 2019 Total
<b>OPERATING REVENUE AND SUPPORT:</b>				
Contributions	\$ 147,563	\$ 5,207	\$ 152,770	\$ 466,477
In-kind contributions	1,068	-	1,068	
Special events, net of expenses \$11,356 and \$21,751 respectively	49,942	-	49,942	59,012
Net assets released from restrictions	25,465	(25,465)	-	-
<b>Total operating revenue and support</b>	<b>\$ 224,038</b>	<b>\$ (20,258)</b>	<b>\$ 203,780</b>	<b>\$ 525,489</b>
<b>OPERATING EXPENSES:</b>				
Program services	\$ 499,701	\$ -	\$ 499,701	\$ 490,137
Management and general	34,527	-	34,527	35,956
Fundraising	38,822	-	38,822	39,350
<b>Total operating expenses</b>	<b>\$ 573,050</b>	<b>\$ -</b>	<b>\$ 573,050</b>	<b>\$ 565,443</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>\$ (349,012)</b>	<b>\$ (20,258)</b>	<b>\$ (369,270)</b>	<b>\$ (39,954)</b>
<b>NON-OPERATING ACTIVITIES:</b>				
Investment income, net of expenses \$16,461 and \$15,653 respectively	\$ 102,716	\$ 20,371	\$ 123,087	\$ 117,099
Realized gain on investments	129,502	37,237	166,739	119,335
Unrealized gain on investments	75,307	-	75,307	374,710
Loss on disposal of furniture and equipment	-	-	-	(1,500)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<b>\$ 307,525</b>	<b>\$ 57,608</b>	<b>\$ 365,133</b>	<b>\$ 609,644</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (41,487)</b>	<b>\$ 37,350</b>	<b>\$ (4,137)</b>	<b>\$ 569,690</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,987,650</b>	<b>866,113</b>	<b>5,853,763</b>	<b>5,284,073</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,946,163</b>	<b>\$ 903,463</b>	<b>\$ 5,849,626</b>	<b>\$ 5,853,763</b>

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

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	SUPPORTING ACTIVITIES				2020 Total	Comparative 2019 Total
	Program Services	Management and General	Fundraising	Supporting Subtotal		
Salaries and wages	\$ 58,215	\$ 21,169	\$ 26,462	\$ 47,631	\$ 105,846	\$ 104,556
Payroll taxes	4,452	1,619	2,024	3,643	8,095	7,999
Total salaries and related expenses	\$ 62,667	\$ 22,788	\$ 28,486	\$ 51,274	\$ 113,941	\$ 112,555
Scholarship awards, net of refunds	399,103	-	-	-	399,103	387,150
Occupancy expense	15,526	3,327	3,327	6,654	22,180	22,389
Technology and website	7,906	1,694	1,694	3,388	11,294	13,048
Professional fees	4,189	897	897	1,794	5,983	5,632
Equipment rental and maintenance	-	3,976	254	4,230	4,230	5,307
Telephone	2,919	625	625	1,250	4,169	4,348
Insurance	2,077	445	445	890	2,967	3,299
Office expense	1,101	-	1,102	1,102	2,203	1,178
Postage	509	526	608	1,134	1,643	1,547
Bank fees	-	-	1,135	1,135	1,135	1,771
Registration fees	1,090	-	-	-	1,090	775
Depreciation	698	149	149	298	996	3,001
Marketing	736	-	-	-	736	740
Travel	703	-	-	-	703	1,166
Security	319	68	68	136	455	619
Conferences and meetings	149	32	32	64	213	739
Miscellaneous expense	9	-	-	-	9	179
Total expenses	<u>\$ 499,701</u>	<u>\$ 34,527</u>	<u>\$ 38,822</u>	<u>\$ 73,349</u>	<u>\$ 573,050</u>	<u>\$ 565,443</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, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (4,137)	\$ 569,690
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	996	3,001
Donated investments included in contributions	(13,725)	(11,146)
Loss on disposal of furniture and equipment	-	1,500
Net realized and unrealized gain on investments	(242,046)	(494,045)
(Increase) decrease in assets:		
Accrued investment income	837	1,041
Accounts receivable	(26,385)	3,700
Inventory	1,195	6,180
Prepaid expenses	(4,865)	64
Increase (decrease) in liabilities:		
Accounts payable	(2,109)	2,524
Payroll taxes withheld and accrued expenses	(2,256)	(27)
Deferred revenue	25,996	10,000
	<u>\$ (266,499)</u>	<u>\$ 92,482</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from SBA PPP loan	\$ 21,900	\$ -
Proceeds from sale of investments	582,050	579,700
Purchases of investments	(410,147)	(699,623)
	<u>\$ 193,803</u>	<u>\$ (119,923)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (72,696)</u>	<u>\$ (27,441)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>154,134</u>	<u>181,575</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 81,438</u></u>	<u><u>\$ 154,134</u></u>

**SUPPLEMENTAL DATA FOR NONCASH ACTIVITIES:**

Donated investments	\$ 13,725	\$ 11,146
Fair value of donated services	\$ 1,068	\$ -

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

## DOLPHIN SCHOLARSHIP FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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#### 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, 2020 AND 2019**

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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, 2020 and 2019 amounted to \$996 and \$3,001, 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 2019, 2018, 2017, and 2016 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 \$736 and \$740 for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019**

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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, 2019, 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.

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:

<u>Expense:</u>	<u>Method of Allocation:</u>
Salaries and wages, and payroll taxes	Time and effort
Occupancy	Reasonable basis consistently applied
Technology and website	Reasonable basis consistently applied
Professional fees	Reasonable basis consistently applied
Equipment rental and maintenance	Reasonable basis consistently applied
Telephone	Reasonable basis consistently applied
Insurance	Reasonable basis consistently applied
Office expense	Reasonable basis consistently applied
Postage	Reasonable basis consistently applied
Depreciation	Reasonable basis consistently applied
Security	Reasonable basis consistently applied
Conferences and meetings	Reasonable basis consistently applied

**DOLPHIN SCHOLARSHIP FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 3 - LIQUIDITY:

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

	2020
Financial assets at year end:	
Cash and cash equivalents	\$ 81,438
Investments	5,767,688
Accounts receivable, net	41,185
Total financial assets	5,890,311
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(903,463)
Board designated net assets	(4,734,894)
Financial assets not available to be used within one year	(5,638,357)
Financial assets available to meet general expenditures within one year	\$ 251,954

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, 2020 AND 2019**

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, 2020 and 2019.

*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, 2020 and 2019.

Assets at Fair Value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 500,922	\$ -	\$ -	\$ 500,922
U.S. Government obligations	932,618	-	-	932,618
Corporate bonds	931,148	-	-	931,148
Corporate stocks	3,403,000	-	-	3,403,000
Total investments	<u>\$ 5,767,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,767,688</u>

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>

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, 2020			
Interest and dividends, net of expenses \$16,461	\$ 100,177	\$ 22,910	\$ 123,087
Realized and unrealized gains	204,809	37,237	242,046
Total investment return	<u>\$ 304,986</u>	<u>\$ 60,147</u>	<u>\$ 365,133</u>
June 30, 2019			
Interest and dividends, net of expenses \$15,653	\$ 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>

**DOLPHIN SCHOLARSHIP FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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, 2020 and 2019 are as follows:

	2020	2019
Specific purpose:		
Laura W. Bush Scholarship	\$ 412,133	\$ 398,333
Nautilus Educational Assistance Fund	129,879	128,042
USS Hampton Scholarship	67,072	67,025
USS Washington Scholarship	63,468	59,535
USS Colorado Scholarship	116,199	108,998
USS Indiana Scholarship	114,712	104,180
Total endowment funds classified as net assets with donor restrictions	\$ 903,463	\$ 866,113

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, 2020 and 2019:

	2020	2019
Net assets released from restrictions:		
Scholarships issued	\$ 12,100	\$ 14,200
Amounts appropriated for expenditure	13,365	10,902
Total net assets released from restrictions	\$ 25,465	\$ 25,102

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, 2020 AND 2019**

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**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 was \$20,400 and \$20,400, for the years ended June 30, 2020 and 2019, respectively.

On April 27, 2020, the lease has been modified effective September 1, 2020 to run until August 31, 2025. Rent on the lease is \$1,235 monthly for the first year and increases 3% each year after that.

Future required lease payments are as follows:

June 30, 2021	15,750
June 30, 2022	15,190
June 30, 2023	15,644
June 30, 2024	16,110
June 30, 2025	16,598
Thereafter	2,780
Total	<u>\$ 82,072</u>

**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, 2020 and 2019, the Foundation had demand deposits on hand in financial institutions that exceeded the FDIC limits of \$144,7714 and \$138,654, respectively. As of June 30, 2020 and 2019, the Foundation had securities in excess of protected SIPC amounts of \$4,902,917 and \$4,795,166, respectively.

**NOTE 8 - NOTE PAYBLE PAYCHECK PROTECTION PROGRAM :**

On May 1, 2020, Dolphin Scholarship Foundation was granted a loan from PNC Bank in the amount of \$21,900, pursuant to the Paycheck Protection Program (PPP), under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan, which is in the form of a Note dated May 1, 2020, matures on May 31, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing December 1, 2020. The note is unsecured and may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties.

Loan proceeds were based on 2.5 times of the average monthly payroll expenses of the Foundation and may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on debt obligations incurred before February 15, 2020. The loan proceeds and accrued interest are forgivable as long as the Foundation uses the proceeds during the covered period for the eligible purposes above and maintains its payroll levels. The Foundation intends to use the entire amount for qualifying expenses during the covered period and therefore, believes its use of the loan proceeds will meet the conditions for forgiveness. After covered period, the Foundation will file an application for forgiveness, and if there remains an unforgiven portion of PPP loan, the unforgiven portion will be payable over 24 months at an interest rate of 1% with a deferral of payments for the first six months.

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

**DOLPHIN SCHOLARSHIP FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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**NOTE 9 - SUBSEQUENT EVENTS:**

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. Fundraising events for the entire year have been modified or canceled, therefore a significant loss of fundraising revenue is anticipated. The future effects of these issues are unknown.

Subsequent events were evaluated through September 18, 2020, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through September 18, 2020 that would require adjustment to, or disclosure in, the financial statements.