

DOLPHIN SCHOLARSHIP FOUNDATION

FINANCIAL STATEMENTS

June 30, 2021

**With Summarized Comparative Financial Information for the
Year Ended June 30, 2020**



DOLPHIN SCHOLARSHIP FOUNDATION

FINANCIAL STATEMENTS

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 13

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 statement of financial position as of June 30, 2021, 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 audit. We conducted our audit 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Dolphin Scholarship Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Breck, Cornwell & Painter, PLLC

October 28, 2021
Chesapeake, Virginia

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With Comparative Financial Information for the Year Ended June 30, 2020

		ASSETS	
			Comparative
		2021	2020
CURRENT ASSETS:			
Cash and cash equivalents		\$ 155,722	\$ 81,438
Investments		6,828,983	5,767,688
Accrued investment income		5,800	7,491
Accounts receivables		-	41,185
Inventory		5,400	6,140
Prepaid expense		1,686	5,922
		<u>\$ 6,997,591</u>	<u>\$ 5,909,864</u>
FURNITURE AND EQUIPMENT:			
Furniture and equipment		\$ 21,200	\$ 21,200
Less accumulated depreciation		21,200	20,943
		<u>\$ -</u>	<u>\$ 257</u>
OTHER ASSET:			
Security deposit		\$ 950	\$ 950
		<u>\$ 6,998,541</u>	<u>\$ 5,911,071</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 1,666	\$ 3,549
Payroll taxes withheld and accrued expenses		2,301	-
SBA PPP loan		-	21,900
Deferred revenue		19,885	35,996
		<u>\$ 23,852</u>	<u>\$ 61,445</u>
NET ASSETS:			
Without donor restrictions:			
Available for operations		\$ 401,363	\$ 211,269
Board designated funds		5,508,791	4,734,894
Total without donor restrictions		<u>\$ 5,910,154</u>	<u>\$ 4,946,163</u>
With donor restrictions		1,064,535	903,463
		<u>\$ 6,974,689</u>	<u>\$ 5,849,626</u>
		<u>\$ 6,998,541</u>	<u>\$ 5,911,071</u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF ACTIVITIES

June 30, 2021

With Summarized Financial Information for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Summarized 2020 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	\$ 468,933	\$ 11,592	\$ 480,525	\$ 152,770
PPP loan forgiveness	21,900	-	21,900	-
In-kind contributions	-	-	-	1,068
Special events, net of expenses \$14,659 and \$11,356 respectively	72,317	-	72,317	49,942
Net assets released from restrictions	14,800	(14,800)	-	-
	<u>\$ 577,950</u>	<u>\$ (3,208)</u>	<u>\$ 574,742</u>	<u>\$ 203,780</u>
OPERATING EXPENSES:				
Program services	\$ 428,191	\$ -	\$ 428,191	\$ 499,701
Management and general	33,313	-	33,313	34,527
Fundraising	38,076	-	38,076	38,822
	<u>\$ 499,580</u>	<u>\$ -</u>	<u>\$ 499,580</u>	<u>\$ 573,050</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ 78,370</u>	<u>\$ (3,208)</u>	<u>\$ 75,162</u>	<u>\$ (369,270)</u>
NON-OPERATING ACTIVITIES:				
Investment income, net of expenses \$17,192 and \$16,461 respectively	\$ 91,714	\$ 17,085	\$ 108,799	\$ 123,087
Realized gain on investments	(134,823)	147,195	12,372	166,739
Unrealized gain on investments	928,730	-	928,730	75,307
	<u>\$ 885,621</u>	<u>\$ 164,280</u>	<u>\$ 1,049,901</u>	<u>\$ 365,133</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>\$ 885,621</u>	<u>\$ 164,280</u>	<u>\$ 1,049,901</u>	<u>\$ 365,133</u>
CHANGE IN NET ASSETS	<u>\$ 963,991</u>	<u>\$ 161,072</u>	<u>\$ 1,125,063</u>	<u>\$ (4,137)</u>
NET ASSETS, BEGINNING OF YEAR	<u>4,946,163</u>	<u>903,463</u>	<u>5,849,626</u>	<u>5,853,763</u>
NET ASSETS, END OF YEAR	<u><u>\$ 5,910,154</u></u>	<u><u>\$ 1,064,535</u></u>	<u><u>\$ 6,974,689</u></u>	<u><u>\$ 5,849,626</u></u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2021

With Summarized Financial Information for the Year Ended June 30, 2020

	SUPPORTING ACTIVITIES				2021 Total	Summarized 2020 Total
	Program Services	Management and General	Fundraising	Supporting Subtotal		
Salaries and wages	\$ 57,874	\$ 21,045	\$ 26,307	\$ 47,352	\$ 105,226	\$ 105,846
Payroll taxes	4,391	1,597	1,996	3,593	7,984	8,095
Total salaries and related expenses	\$ 62,265	\$ 22,642	\$ 28,303	\$ 50,945	\$ 113,210	\$ 113,941
Scholarship awards, net of refunds	332,567	-	-	-	332,567	399,103
Occupancy expense	12,702	2,722	2,722	5,444	18,146	22,180
Technology and website	8,250	1,768	1,768	3,536	11,786	11,294
Professional fees	3,392	727	727	1,454	4,846	5,983
Telephone	2,827	606	606	1,212	4,039	4,169
Equipment rental and maintenance	-	3,755	240	3,995	3,995	4,230
Insurance	2,148	461	461	922	3,070	2,967
Office expense	984	-	985	985	1,969	2,203
Bank fees	-	-	1,568	1,568	1,568	1,135
Registration fees	1,480	-	-	-	1,480	1,090
Postage	396	408	472	880	1,276	1,643
Conferences and meetings	511	109	109	218	729	213
Security	353	76	76	152	505	455
Depreciation	179	39	39	78	257	996
Marketing	115	-	-	-	115	736
Miscellaneous expense	22	-	-	-	22	9
Travel	-	-	-	-	-	703
Total expenses	\$ 428,191	\$ 33,313	\$ 38,076	\$ 71,389	\$ 499,580	\$ 573,050

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF CASH FLOWS

June 30, 2021

With Comparative Financial Information for the Year Ended June 30, 2020

	2021	Comparative 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,125,063	\$ (4,137)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	257	996
Donated investments included in contributions	(10,216)	(13,725)
Net realized and unrealized gain on investments	(941,102)	(242,046)
(Increase) decrease in assets:		
Accrued investment income	1,690	837
Accounts receivable	41,185	(26,385)
Inventory	740	1,195
Prepaid expenses	4,236	(4,865)
Increase (decrease) in liabilities:		
Accounts payable	(1,884)	(2,109)
Payroll taxes withheld and accrued expenses	2,301	(2,256)
Deferred revenue	(16,111)	25,996
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 206,159	\$ (266,499)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from SBA PPP loan	\$ -	\$ 21,900
Proceeds from sale of investments	283,900	582,050
Purchases of investments	(415,775)	(410,147)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (131,875)	\$ 193,803
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ 74,284	\$ (72,696)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	81,438	154,134
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 155,722	\$ 81,438
SUPPLEMENTAL DATA FOR NONCASH ACTIVITIES:		
Donated investments	\$ 10,216	\$ 13,725
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, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined 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.

The Foundation follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification (FASB ASC)*.

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.

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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, 2021 and 2020 amounted to \$257 and \$996, 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 2021, 2020, 2019, and 2018 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 \$115 and \$736 for the years ended June 30, 2021 and 2020, respectively.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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, 2020, 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 report 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:

Expense:

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

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

NOTE 3 - LIQUIDITY:

The table below presents financial assets available for general expenditures within one year at June 30, 2021:

	<u>2021</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 155,722
Investments	<u>6,828,983</u>
Total financial assets	<u>\$ 6,984,705</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	\$ (1,064,535)
Board designated net assets	<u>(5,508,791)</u>
Financial assets not available to be used within one year	<u>\$ (6,573,326)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 411,379</u></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, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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, 2021 and 2020.

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, 2021 and 2020.

Assets at Fair Value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 846,367	\$ -	\$ -	\$ 846,367
U.S. Government obligations	783,535	-	-	783,535
Corporate bonds	814,580	-	-	814,580
Corporate stocks	4,384,501	-	-	4,384,501
Total investments	\$ 6,828,983	\$ -	\$ -	\$ 6,828,983

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	\$ 5,767,688	\$ -	\$ -	\$ 5,767,688

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, 2021			
Interest and dividends, net of expenses \$17,192	\$ 91,714	\$ 17,085	\$ 108,799
Realized and unrealized gains	793,907	147,195	941,102
Total investment return	\$ 885,621	\$ 164,280	\$ 1,049,901
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	\$ 304,986	\$ 60,147	\$ 365,133

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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.	29%	20 - 40%
Equity - U.S.	70%	60 - 80%
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, 2021 and 2020 are as follows:

	2021	2020
Specific purpose:		
Laura W. Bush Scholarship	\$ 483,101	\$ 412,133
Nautilus Educational Assistance Fund	150,904	129,879
USS Hampton Scholarship	74,676	67,072
USS Washington Scholarship	75,103	63,468
USS Colorado Scholarship	136,086	116,199
USS Indiana Scholarship	144,665	114,712
Total endowment funds classified as net assets with donor restrictions	\$ 1,064,535	\$ 903,463

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, 2021 and 2020:

	2021	2020
Net assets released from restrictions:		
Scholarships issued	\$ 14,800	\$ 14,200
Amounts appropriated for expenditure	-	10,902
Total net assets released from restrictions	\$ 14,800	\$ 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, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

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, 2021.

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. Rent expense was \$16,372 and \$20,400, for the years ended June 30, 2021 and 2020, respectively.

Future required lease payments are as follows:

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>66,322</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, 2021 and 2020, the Foundation did not have demand deposits on hand in financial institutions that exceeded the FDIC limits. As of June 30, 2021 and 2020, the Foundation had securities in excess of protected SIPC amounts of \$5,623,015 and \$4,902,917, 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.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

With Summarized Comparative Financial Information for the Year Ended June 30, 2020

NOTE 8 - NOTE PAYBLE PAYCHECK PROTECTION PROGRAM (Continued):

The Foundation filed the forgiveness application with the Small Business Administration (SBA), which was approved in December 2020 and the outstanding balance of \$21,900 was paid off by the SBA. The original loan amount of \$21,900 is reported on the statement of activities in operating revenue and support for the year ended June 30, 2021.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS:

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The objective is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides clarifying guidance on accounting for the grants and contracts of not-for-profit organizations as they relate to the new revenue standard (ASU 2014-09, Revenue from Contracts with Customers). The objective is to minimize diversity in the classification of grants and contracts that exists under current guidance.

The Foundation adopted both of the ASU's effective July 1, 2020 using the prospective method. The adoption of these standards did not result in significant changes to the Foundation's accounting policies or impact its financial position, changes in net assets or cash flows. As such, prior period financial statements were not restated and there was no cumulative effect adjustment upon adoption.

NOTE 10 - 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 October 28, 2021, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through October 28, 2021 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.