DREAMSPRING AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

December 31, 2021 and 2020

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
DreamSpring and Subsidiaries
Albuquerque, New Mexico

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of DreamSpring (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DreamSpring and Subsidiaries as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DreamSpring and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management's for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DreamSpring and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DreamSpring and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DreamSpring and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

Board of Directors
DreamSpring and Subsidiaries

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of DreamSpring's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DreamSpring's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DreamSpring's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 29, 2022

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2021	2020
ASSETS		
Cash	$ 90,201,355	$ 23,226,658
Restricted cash	113,528	104,422
Accrued interest on small business loans and other receivables	979,707	672,873
Contributions receivable, net of discounts and allowance for doubtful accounts of $16,278 in 2021 and $15,977 in 2020	307,628	41,969
Grants receivable	137,258	-
Small business loans receivable, net	16,427,665	29,770,635
Small business PPP loans receivable, net	90,477,632	33,668,954
Derivative instrument	50,288	107,785
Prepaid expenses	166,464	72,740
Investment securities	1,488,829	1,312,960
Property, equipment and software, net	1,809,022	2,041,855
Land	1,003,216	1,003,216
Property held for sale	958	958
Total assets	$ 203,163,550	$ 92,025,025

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable	$ 222,231	$ 147,296
Accrued payroll and payroll related liabilities	699,516	596,826
Third-party participation on small business loans	199,054	184,665
Advances and other accrued liabilities	34,346,485	4,910,724
Program advances	857,753	1,287,353
Capital lease obligation	5,598	36,541
Unsecured lines-of-credit	199	3,599,999
Notes payable for PPP lending	99,198,257	32,880,287
Notes payable	23,781,635	18,511,530
Secured debt	3,678,262	6,103,082
Total liabilities	162,988,990	68,258,303
NET ASSETS		
Without donor restrictions		
Undesignated	25,656,685	12,574,590
Noncontrolling interest in LLC companies	8,187,224	8,187,265
With donor restrictions	6,330,651	3,004,867
Total net assets	40,174,560	23,766,722
Total liabilities and net assets	$ 203,163,550	$ 92,025,025

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

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
SBA PPP lending fees, net	$ 13,291,144	$ -	$ 13,291,144
Contributions	762,110	4,520,266	5,282,376
Loan interest and fees	4,336,226	39,792	4,376,018
Federal awards	2,230,197	-	2,230,197
In-kind contributions	426,756	-	426,756
Net realized/unrealized gains on investments	-	164,057	164,057
Investment income, net	11,276	20,709	31,985
Other revenue	18,381	-	18,381
(Loss) gain on sale of loans	(144,682)	-	(144,682)
Total revenue and support	20,931,408	4,744,824	25,676,232
Net assets released from restrictions	1,419,040	(1,419,040)	-
EXPENSES			
Program services	7,863,577	-	7,863,577
Fundraising	660,148	-	660,148
Support	744,628	-	744,628
Total expenses	9,268,353	-	9,268,353
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONOPERATING ACTIVITIES AND NONCONTROLLING INTEREST IN LLC COMPANIES	13,082,095	3,325,784	16,407,879
OTHER ACTIVITIES			
Federal awards	-	-	-
Financial assistance distributions	-	-	-
Total nonoperating activities	-	-	-
CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	13,082,095	3,325,784	16,407,879
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES			
Gain on LLC activity	137,002	-	137,002
Distributions	(137,043)	-	(137,043)
Total changes in net assets from noncontrolling interest in LLC companies	(41)	-	(41)
CHANGES IN NET ASSETS	13,082,054	3,325,784	16,407,838
Net assets, beginning of year	20,761,855	3,004,867	23,766,722
Net assets, end of year	$ 33,843,909	$ 6,330,651	$ 40,174,560

2020		
Without Donor Restrictions	With Donor Restrictions	Total
$ 2,921,010	$ -	$ 2,921,010
1,143,025	2,796,794	3,939,819
5,036,541	115,322	5,151,863
481,224	-	481,224
641,635	-	641,635
-	87,089	87,089
10,520	18,996	29,516
194,381	-	194,381
(46,669)		(46,669)
10,381,667	3,018,201	13,399,868
2,707,254	(2,707,254)	-
9,899,163	-	9,899,163
613,025	-	613,025
490,186	-	490,186
11,002,374	-	11,002,374
2,086,547	310,947	2,397,494
4,905,234	-	4,905,234
(4,905,234)	-	(4,905,234)
-	-	-
2,086,547	310,947	2,397,494
137,045	-	137,045
(136,988)	-	(136,988)
57	-	57
2,086,604	310,947	2,397,551
18,675,251	2,693,920	21,369,171
$ 20,761,855	$ 3,004,867	$ 23,766,722

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

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2021			
	Program Services	Fundraising	Support	Total
Salaries	$ 3,075,049	$ 399,796	$ 378,955	$ 3,853,800
Interest	1,349,513	-	-	1,349,513
Professional fees	837,234	71,544	118,739	1,027,517
Marketing and development	893,535	32,930	770	927,235
Software fees and licensing	447,637	26,990	36,125	510,752
In kind interest	402,268	-	-	402,268
Loan servicing expense	366,396	-	-	366,396
Temporary services	236,783	7,440	84,006	328,229
Employee benefits	234,487	30,486	28,897	293,870
Payroll taxes	220,342	28,647	27,154	276,143
Telephone	199,754	22,824	21,635	244,213
Depreciation and amortization	216,414	8,429	7,990	232,833
Occupancy	67,838	7,221	9,640	84,699
Conferences and meetings	64,392	6,877	7,784	79,053
Miscellaneous expense	45,256	6,039	4,906	56,201
Supplies	49,102	2,728	2,728	54,558
Travel	38,450	7,725	4,292	50,467
Insurance	29,678	-	9,892	39,570
Subscriptions and dues	13,442	155	1,115	14,712
Postage	2,855	317	-	3,172
Loan loss (recovery) provision	(926,848)	-	-	(926,848)
Total	$ 7,863,577	$ 660,148	$ 744,628	$ 9,268,353

2020			
Program Services	Fundraising	Support	Total
$ 3,260,185	$ 402,220	$ 292,912	$ 3,955,317
894,444	-	-	894,444
748,767	81,728	66,804	897,299
446,749	6,668	59	453,476
190,520	16,474	36,905	243,899
623,461	-	-	623,461
261,495	-	-	261,495
2,826	202	1,010	4,038
240,186	29,632	21,580	291,398
241,509	29,796	21,698	293,003
148,984	16,162	14,731	179,877
232,431	9,530	6,941	248,902
78,173	7,506	6,512	92,191
30,107	2,017	2,217	34,341
63,358	4,621	4,888	72,867
10,995	611	611	12,217
32,217	4,733	2,650	39,600
28,067	-	9,355	37,422
12,682	326	1,313	14,321
7,189	799	-	7,988
2,344,818	-	-	2,344,818
$ 9,899,163	$ 613,025	$ 490,186	$ 11,002,374

DreamSpring and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

Increase (Decrease) in Cash

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Small business loan payments received	$ 32,925,333	$ 10,705,075
Contributions received	4,999,235	4,094,746
Federal awards received	1,663,339	7,455,646
Other cash receipts	208,675	187,009
Payments for salaries, benefits and payroll taxes	(4,321,123)	(4,126,246)
Payments to vendors	(2,405,463)	(5,778,893)
Interest paid	(1,089,786)	(861,032)
Net cash provided by operating activities	31,980,210	11,676,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	492,883	563,650
Purchase of investments	(487,213)	(536,873)
Purchase of property, equipment and software	-	(43,517)
Investment in small business loans	(213,729,738)	(47,712,864)
Repayments and recoveries of small business loans	178,934,111	21,896,414
Proceed from sale of small business loans	4,398,832	439,100
Net cash used in investing activities	(30,391,125)	(25,394,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	88,384	1,382,011
Repayment of secured debt	(2,513,204)	(2,791,719)
Proceeds from unsecured notes payable	215,406,025	49,222,585
Repayment of unsecured notes payable	(143,818,701)	(15,823,999)
Repayments of unsecured lines-of-credit, net	(3,599,800)	(900,001)
Repayments on capital lease obligation	(30,943)	(29,048)
Distributions to noncontrolling interests in consolidated LLC companies	(137,043)	(136,988)
Net cash provided by financing activities	65,394,718	30,922,841
NET INCREASE IN CASH	66,983,803	17,205,056
Cash, beginning of year	23,331,080	6,126,024
Cash, end of year	$ 90,314,883	$ 23,331,080

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years Ended December 31,

Increase (Decrease) in Cash

	2021	2020
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 16,407,879	$ 2,397,494
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(164,057)	(87,089)
LLC activity	137,002	137,045
Depreciation and amortization	232,833	248,902
Amortization of note payable closing fee	751	896
Loan loss (recovery) provision	(926,848)	2,344,818
Amortization of deferred loan fees, net	(12,286,747)	(540,844)
Loss on sale of loans	144,682	46,669
Present value discount and amortization on contributions receivable	-	(1,212)
Uncollectible contribution expense	1,141	(5,331)
Donated stock	(17,482)	(24,953)
Change in fair value of derivative instrument	57,497	45,163
(Increases) decreases in operating assets:		
Accounts receivable	(306,834)	(417,171)
Contributions receivable	(266,800)	186,423
Grants receivable	(137,258)	628,228
Prepaid expenses	(93,724)	2,919
Property held for sale	-	(708)
Increases (decreases) in operating liabilities:		
Accounts payable	74,935	56,183
Accrued payroll	102,690	386,638
Program advances	(429,600)	1,287,353
Other accrued liabilities and third party participation on small business loans	29,450,150	4,984,882
	$ 31,980,210	$ 11,676,305

SUPPLEMENTAL DATA

	2021	2020
In-kind revenues and expenses	$ 426,756	$ 641,635
Refinance of small business loans	$ 34,096	$ 422,288

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

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

1. Organization

DreamSpring, formerly Accion, was organized in March 1994 as an independent, private, New Mexico nonprofit corporation. Its sole program provides microenterprises and small businesses across a 19 state region including Arizona, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Nevada, New Mexico, New York, North Carolina, Oklahoma, Texas, Utah, Washington, and Wyoming with credit and business support not otherwise available from the commercial lending sector. DreamSpring's operations are subsidized by contributions from foundations and other grantors, individuals, banks, and other corporate contributors. DreamSpring formerly licensed its Accion name from a supporting organization, Accion, U.S. Network. During 2019, DreamSpring rebranded and exited its membership with the Accion U.S. Network.

During 2015, DreamSpring was approved to be a Community Advantage (CA) Pilot Loan Program Lender with the U.S. Small Business Administration. As an approved lender, DreamSpring is required to maintain a loan loss reserve bank account of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve account are required to be maintained in a separate bank account. At December 31, 2021 and 2020, the unguaranteed CA loan portfolio was $564,556 and $721,057, respectively, and the required loan loss reserve account was 51,000 at both December 31, 2021 and 2020. DreamSpring was in compliance with the loan loss reserve requirement.

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

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

The noncontrolling activities of the LLCs are as follows:

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

	DreamSpring 2007A, LLC	DreamSpring 2011B, LLC	DreamSpring 2011C, LLC	DreamSpring 2013D, LLC	DreamSpring 2014E, LLC	DreamSpring 2017G, LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	August 2017	
Dissolution date	December 2022	December 2031	December 2026	December 2026	December 2023	December 2027	
Balance at December 31, 2019	$ 1,200,197	$ 250,025	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,025,000	$ 8,187,208
Distributions	-	-	(5,000)	(60,000)	(47,000)	(24,988)	(136,988)
Net income	1	1	5,000	60,000	47,000	25,043	137,045
Balance at December 31, 2020	1,200,198	250,026	255,001	3,059,985	2,397,000	1,025,055	8,187,265
Distributions	-	-	(5,000)	(60,000)	(47,000)	(25,043)	(137,043)
Net income	1	1	5,000	60,000	47,000	25,000	137,002
Balance at December 31, 2021	$ 1,200,199	$ 250,027	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,025,012	$ 8,187,224

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

2. Federal Income Taxes

DreamSpring is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. DreamSpring had no material unrelated business taxable income for the years ended December 31, 2021 and 2020. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, 2014E LLC and 2017G LLC, all pass-through taxable entities, had no material taxable income in 2021 or 2020.

DreamSpring has adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by DreamSpring or any of the limited liability companies for the years ended December 31, 2021 and 2020. DreamSpring's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, DreamSpring's tax returns and each respective LLC’s tax returns are no longer subject to examination by tax authorities for years prior to 2018.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Use of Estimates

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

4. Cash

For purposes of the accompanying consolidated statements of cash flows, DreamSpring considers all highly liquid instruments with original maturities of three months or less to be cash. Cash includes cash on hand, cash in banks, and restricted cash held in money market accounts held with a brokerage firm. A member of the Board of Directors is affiliated with one of the Organization’s financial institutions.

5. Concentrations of Risk

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

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

6. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these consolidated financial statements.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable

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

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

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

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

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

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

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

8. Derivative Financial Instrument

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

9. Property, Equipment and Software

Property, equipment and software are stated at cost. DreamSpring capitalizes all acquisitions greater than $2,500 for the years ended December 31, 2021 and 2020. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years and is allocated to each functional category based on utilization. Land is not depreciated. Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was $232,833 and $248,902, respectively.

10. Net Assets

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

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. No designations have been made for specific purposes at December 31, 2021 and 2020.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Net Assets – Continued

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

11. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2021 and 2020, DreamSpring received and recognized $24,488 and $18,174 of donated services and $402,268 and $623,461 of imputed interest on below market interest bearing notes, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of DreamSpring.

12. Functional Allocation of Expenses

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

	2021	2020
Program services	$ 265,420	$ 43,117
Fundraising	29,491	4,790
Total joint costs	$ 294,911	$ 47,907

For the year ended December 31, 2021, DeamSpring recognized a loan loss recovery. This caused a decrease in the program services functional expense ratio from the year ended December 31, 2020.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $922,885 and $446,276 for the years ended December 31, 2021 and 2020, respectively, and are included in marketing and development expenses.

14. Reclassified Amounts

Certain 2020 amounts have been reclassified to be consistent with the presentation of 2021 amounts.

15. Subsequent Events

Subsequent events have been evaluated through April 29, 2022, the date the consolidated financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2021. In January 2022, DreamSpring entered into an agreement with a third party to purchase approximately $8,000,000 in SBA guaranteed loans. Management does not believe any additional subsequent events have occurred that would require accrual or disclosure in these accompanying consolidated financial statements.

NOTE B – LIQUIDITY AND AVAILABILITY

DreamSpring's operations require financial assets available for general expenditures and for lending purposes, not restricted by donors or others. Following is a summary of liquidity sources available at December 31, 2021 and 2020, to meet operating and lending liquidity needs during each respective year:

	2021	2020
Total non-restricted cash	$ 90,201,355	$ 23,226,658
Less: net assets with donor restrictions	(4,128,980)	(803,196)
Less: non-operating PPP receipts	(33,722,486)	-
Interest and other receivables	979,707	672,873
Contribution receivables expected to be received in subsequent year	323,906	57,946
Federal award receivables expected to be received in subsequent year	137,258	-
Small business loans receivable estimated to be collected in one year	14,163,000	18,224,000
Undrawn lines-of-credit	16,099,081	3,500,000
	$ 84,052,841	$ 44,878,281

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

NOTE C – INVESTMENTS

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

	2021		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 787,305	$ 1,125,014	$ 337,709
Mutual funds	185,309	182,622	(2,687)
Government and agency securities	120,161	122,618	2,457
Corporate bonds	56,332	58,575	2,243
Total	$ 1,149,107	$ 1,488,829	$ 339,722

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

Investment returns consist of the following at December 31:

	2021	2020
Interest and dividends	$ 45,423	$ 40,905
Investment fees	(13,438)	(11,389)
	$ 31,985	$ 29,516

	2021	2020
Realized gains (losses)	$ 86,801	$ (5,143)
Unrealized gains	77,256	92,232
	$ 164,057	$ 87,089

NOTE D – CONTRIBUTIONS RECEIVABLE

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

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges (when applicable) is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. There were no multi-year pledges at December 31, 2021 or 2020.

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

Contributions receivable for each of the years succeeding December 31, 2021 and 2020, are expected to occur as follows:

	2021	2020
In less than one year	$ 323,906	$ 57,946
In one to five years	-	-
	323,906	57,946
Less: Allowance for doubtful accounts	(16,278)	(15,977)
Less: Discount to net present value	-	-
	$ 307,628	$ 41,969

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

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

During 2018, DreamSpring was awarded $4,700,000 of conditional multi-year grants from two foundations. The grants reimburse DreamSpring for certain specified expenses as incurred. Because of these conditions, the full amount of the award was not recorded. Revenues recognized during 2021 and 2020 for these grants totaled $500,000 and $1,200,000, respectively.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE

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

	2021	2020
PPP loans	$ 103,305,224	$ 34,209,878
Small business loans	8,191,764	12,648,277
Microbusiness loans	6,964,099	16,801,891
Commercial real estate	4,045,862	5,128,893
	122,506,949	68,788,939
Less: Loan loss allowance	(2,774,060)	(4,808,506)
Less: PPP deferred fee, net	(12,827,592)	(540,844)
	$ 106,905,297	$ 63,439,589

The loan categories in the table above include deferred fees and costs for the PPP loans of $12,827,592 as of December 31, 2021 and $540,844 as of December 31, 2020. No deferred fees and costs for the other loan categories are included for both 2021 and 2020.

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

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

The Organization sells participating interest in loans to an unrelated entity. Participation loans interest serviced is not included in the accompanying consolidated statements of financial position. The unpaid principal balances of loans serviced not included were $3,338,130 and $401,107 at December 31, 2021 and 2020, respectively. The Organization receives a servicing fee for servicing the participating interest in the loans.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	2021	2020
Balance at beginning of year	$ 4,808,506	$ 5,051,305
Provision charged to expense	(926,848)	2,344,818
Loans charged off	(1,529,420)	(2,995,686)
Recoveries	421,822	408,069
Balance at end of year	$ 2,774,060	$ 4,808,506

DreamSpring has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately $238,624 and $95,750 in 2021 and 2020, respectively, were covered by this agreement resulting in the lender taking losses of approximately $36,191 and $71,800 in 2021 and 2020, respectively. See Note F for further details about this agreement.

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

When loans have been modified and economic concessions are granted to borrowers who have experienced financial difficulties, these loans are considered a troubled debt restructuring (TDR). Specifically, loans are considered TDRs when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDRs. After a loan is restructured once, it may not be modified again. Total number of TDRs of 133 and 182 have outstanding balances as of December 31, 2021 and 2020, of $1,371,544 and $2,006,094, respectively. The specific valuation allowance for these TDRs has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for TDR loan losses was $514,233 and $653,242 at December 31, 2021 and 2020, respectively.

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

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

	Small business loans receivable 2021	2020
Current	$ 17,133,162	$ 32,259,149
1-30 Days	990,495	764,804
Past due and non accrual:		
31-60 Days	219,140	468,624
61-90 Days	215,233	346,347
91-120 Days	89,457	241,454
120-180 Days	406,717	444,954
>180 Days	147,521	53,809
Total past due and non accrual	1,078,068	1,555,188
Small business loans receivable	19,201,725	34,579,141
Less: Loan loss reserve allowance	(2,774,060)	(4,808,506)
Total small business loans receivable	$ 16,427,665	$ 29,770,635
Small business loans receivable past due > 30 days and still accruing interest	$ -	$ -

During 2021 and 2020, DreamSpring made loans under the Paycheck Protection Program (PPP) to qualifying small businesses. The terms of the loans made under PPP were 24-60 months, 1% interest rates, deferred interest payments and are subject to be forgiven by the U.S. Small Business Administration (SBA). Since the PPP loans receivable are fully guaranteed by the SBA, no loan loss reserve allowance has been provided.

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

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

	Small business PPP loans receivable 2021	Small business PPP loans receivable 2020
Current	$ 102,937,055	$ 34,209,798
1-30 Days	63,354	-
Past due and non accrual:		
31-60 Days	45,100	-
61-90 Days	235,016	-
91-120 Days	24,699	-
120-180 Days	-	-
>180 Days	-	-
Total past due and non accrual	304,815	-
Small business PPP loans receivable	103,305,224	34,209,798
Less: Unamortized Loan Fees	(12,827,592)	(540,844)
Total small business PPP loans receivable	$ 90,477,632	$ 33,668,954
Small business PPP loans receivable past due > 30 days and still accruing interest	$ -	$ -

DreamSpring also entered into a Memorandum of Agreement (MOA) with a third party to fund PPP loans and service the loans. DreamSpring does not have participation or ownership interest in such loans. DreamSpring is required to pay the third party any amounts received as payment of principal but is not obligated to pay any interest that may have been received on the loans. The program funding will terminate upon the termination of the Paycheck Protection Program or modification of the Paycheck Protection Program that reduces or eliminates the SBA guaranty of loans. The loans will continue to be serviced through either forgiveness granted or payments made by the borrower. The total PPP loans outstanding as of December 31, 2021 and 2020, under this MOA was $4,235,845 and $25,831,678 respectively. Because DreamSpring does not have participation or ownership interest, these loans are not included as part of the outstanding small business loans receivable on the consolidated statements of financial position.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

During 2021, DreamSpring entered into an agreement with a third party to process PPP loan applications and originate PPP loans. Total fees (net of expenses) recognized as revenue for the year ended December 31, 2021 were $13,291,144 and unamortized loan fees of $12,827,592 will be recognized in future periods.

NOTE F – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT

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

DreamSpring must repay the secured debt as DreamSpring collects principal payments on the participation loans. This arrangement is considered an embedded derivative, and its fair value of $50,288 and $107,785 as of December 31, 2021 and 2020, respectively, is recorded as an asset on the accompanying consolidated statements of financial position.

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

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

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balances of $3,678,262 and $6,103,082 as of December 31, 2021 and 2020, respectively. The remaining interest earned on the participation loans is retained by DreamSpring. Interest expense on the secured debt was $135,827 and $161,425 for the years ended December 31, 2021 and 2020, respectively. The MOA does not have a specified expiration date but has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOA until the joint portfolio is collected.

NOTE G – PROPERTY, EQUIPMENT AND SOFTWARE

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

	2021	2020
Building	$ 2,252,551	$ 2,252,551
Computer equipment and software	774,141	774,141
Furniture and office equipment	275,569	275,569
	3,302,261	3,302,261
Less accumulated depreciation	(1,493,239)	(1,260,406)
Total	$ 1,809,022	$ 2,041,855
Land	$ 1,003,216	$ 1,003,216

NOTE H – PROGRAM ADVANCES

During 2021, DreamSpring was awarded and received a $100,000 conditional grant. No revenues or expenses related to this grant were recognized during 2021 and the full amount is recorded as a program advance as of December 31, 2021.

On May 6, 2020, DreamSpring received a low interest loan in the amount of $757,753 under the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA) as a result of the novel strain of coronavirus (COVID-19) outbreak. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period (the twenty-four week period beginning on the loan origination date). In addition, employers must maintain specified employment and wage levels, and submit adequate documentation of such expenditures to qualify for loan forgiveness. As of December 31, 2020, DreamSpring had applied for forgiveness and had been notified the forgiveness application has been submitted for further review. In November 2021, SBA notified DreamSpring that it's application for forgiveness had been denied. On December 8, 2021, DreamSpring submitted a timely appeal to SBA's Office of Hearings and Appeals which is still under consideration by the SBA. Because of the uncertainty, DreamSpring has accounted for the PPP loan as a conditional contribution and therefore the loan is recorded as a refundable program advance in the accompanying consolidated financial statements. As of December 31, 2021 and 2020, no amount of the refundable program advance was recognized as revenue as management is uncertain as to whether they will be granted forgiveness of all or a portion of the loan.

NOTE H – PROGRAM ADVANCES – CONTINUED

On August 19, 2020, DreamSpring entered into a subgrant with Colorado Housing and Finance Authority to provide financial assistance to qualifying small businesses in the state of Colorado under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). DreamSpring received two advances totaling $4,905,234. Financial assistance payments obligated but not disbursed was $519,927 at December 31, 2020, and was recorded as a program advance. The undisbursed financial assistance payments were made by February 2021. Because the subgrant was part of the CARES Act and is expected to be a one-time event as a response to COVID-19, management is presenting this funding source and the corresponding expenditures as other activities in the consolidated statements of activities and changes in net assets. No such funding was received in 2021.

On September 24, 2020, DreamSpring received a financial assistance award from the Community Development Finance Institutions Fund (CDFI). As part of the award, a total of $400,000 of initial payments were advanced to DreamSpring. Unexpended amounts recorded as a program advance were $0 and $9,673 at December 31, 2021 and 2020, respectively.

NOTE I – UNSECURED LINES-OF-CREDIT OUTSTANDING

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

		Interest	Maturity	Restrictive	Outstanding Balance	
Financial Institution	Limit	Rate	Date	Covenants	2021	2020
First National, a division of Sunflower Bank N.A.	$ 3,000,000	2.00%	October 2022	Yes	$ -	$ 2,000,000
Pacific Premier	1,000,000	2.00%	January 2023	Yes	-	1,000,000
Bank of the West	600,000	2.00%	Full payment with written termination	Yes	199	599,999
Washington Federal	1,500,000	2.50%	March 2023	Yes	-	-
CIT Bank	1,000,000 (reduced by $100,000 each year starting October 2022 - 2026)	2.00%	October 2022 subject to an extension to October 2027	Yes	-	-
Compass Bank	1,000,000	2.50%	June 2022	Yes	-	-
Bank of America	8,000,000	0.50%	March 2023	Yes	-	-
					$ 199	$ 3,599,999

NOTE I – UNSECURED LINES-OF-CREDIT OUTSTANDING – CONTINUED

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

NOTE J – NOTES PAYABLE

Notes payable consist of the following at December 31:

	2021	2020
Notes payable for PPP lending		
Note payable with federal reserve under the Paycheck Protection Program (PPP), due when underlying PPP loans mature or are forgiven, .35% interest per annum.	$ 84,201,892	$ 23,440,152
Note Payable with PNC Bank, due March 2026, 1% interest per annum.	13,378,950	-
Note payable with The Colorado Health Foundation, due August 2023, 1% interest per annum.	1,000,000	1,000,000
Note payable with Zoma Foundation, due when underlying PPP loans are forgiven or collected with final balance due May 2023, 0% interest per annum.	367,415	8,190,135
Note payable with Albuquerque Community Foundation, due July 2025, 2% interest per annum unless fund were used for PPP lending which bears 0% interest.	250,000	250,000
Total notes payable for PPP lending	99,198,257	32,880,287
Notes payable		
Note Payable with Opportunity Finance Network, $1,666,667 due October 2029-October 2031, 3% interest annum	5,000,000	-
Note payable with Bank of America, net of issuance costs, due as follows: $2,000,000 due September 2022, $1,000,000 due September 2023 and $1,500,000 due September 2024, 3% interest per annum.	4,498,982	5,498,231
Subordinated note payable with Wells Fargo, full payment due June 2028, 2% interest per annum.	2,425,000	2,425,000
Note payable with The Colorado Health Foundation, due August 2023, 1% interest per annum.	1,750,000	1,750,000

NOTE J – NOTES PAYABLE – CONTINUED

	2021	2020
Notes payable - continued		
Subordinated note payable with Compass Bank, due November 2025, 2.5% interest per annum.	2,000,000	2,000,000
Subordinated note payable with Zion's Bank, due May 2030, 2% interest per annum.	1,500,000	1,500,000
Subordinated note payable with American Express, due October 2026, 2.5% interest per annum.	1,000,000	-
Subordinated note payable with First Bank, due September 2029, 2% interest per annum.	1,000,000	1,000,000
Subordinated note payable with First National Bank of Nebraska, due April 2025, 1% interest per annum.	1,000,000	1,000,000
Note payable with Kellogg Foundation, $200,000 due 2021 - 2025, 1% interest per annum.	800,000	1,000,000
Note payable with Energize Gap Colorado Fund December 2026, 0% interest per annum.	622,553	-
Note payable with Piton Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000
Note payable with Gates Family Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000
Subordinated note payable with Wells Fargo, due December 2025, 2% interest per annum.	400,000	400,000
Subordinated note payable with Wells Fargo, due September 2026, 2% interest per annum.	250,000	250,000
Subordinated note payable with Dallas Development Fund, full payment due August 2029, 1% interest per annum.	250,000	250,000
Note payable with Colorado Department of Local Affairs, due upon mutual agreed terms, 0% interest per annum.	65,100	218,299

NOTE J – NOTES PAYABLE – CONTINUED

	2021	2020
Notes payable - continued		
Note payable with Kenneth King Foundation, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Chinook Fund, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Liman Family Fund, full payment due December 2024, 2% interest per annum.	50,000	50,000
Note payable with Women's Foundation of Colorado, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Valero Payment Services Company, an affiliate of DSRM National Bank, full payment due April 2026 2% interest per annum.	20,000	20,000
Total notes payable	23,781,635	18,511,530
	$ 122,979,892	$ 51,391,817

Notes payable are unsecured, except for the note payable with federal reserve which is secured by the underlying PPP loans receivable.

At December 31, 2021, future principal repayments are as follows:

2022	$ 2,264,543
2023	4,317,100
2024	1,749,855
2025	5,613,596
2026	97,709,798
Thereafter	11,325,000
	$ 122,979,892

Due to the timing of forgiveness by the SBA, actual timing of repayments of PPP principal amounts could differ from the above maturity schedule.

NOTE J – NOTES PAYABLE – CONTINUED

DreamSpring incurred $1,213,686 and $733,019 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2021 and 2020, respectively. Additionally, DreamSpring also recorded in-kind contributions and in-kind expense totaling $402,268 and $623,461 in imputed interest, using rates between 2.00% - 3.25% during the years ended December 31, 2021 and 2020, respectively, to recognize the interest savings benefit realized on zero-percent and below market rate notes.

The terms of the notes payable to the banks and foundations place certain restrictions on DreamSpring, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirements, minimum loan loss allowance requirements, and maximum bank concentration requirements. At December 31, 2021, DreamSpring was in compliance with all such requirements or had received an approved waiver where applicable.

Approximately $30,000,000 in receipts related to PPP loans forgiven by the SBA during 2021 were received as of December 31, 2021 and were pending withdrawal by the fiscal agent. These amounts have been reclassed to advances and other accrued liabilities reported on the consolidated statements of financial position.

NOTE K – FAIR VALUE MEASUREMENTS

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

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

Level 2 — Inputs to the valuation methodology include:

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

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

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

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from December 31, 2020 through 2021.

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

Equity securities: Valued at publicly traded market value.

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

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

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

Fair values of assets measured are as follows:

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2021

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Intermediate term	$ 11,710	$ 2,836	$ -	$ 14,546
Long-term	33,614	20,195	-	53,809
Short-term	54,263	-	-	54,263
Corporate bonds				
Intermediate term	-	49,330	-	49,330
Long-term	-	3,974	-	3,974
Short-term	-	5,272	-	5,272
Equity securities:				
Information Technology	203,948	-	-	203,948
Financials	161,112	-	-	161,112
Health Care	145,284	-	-	145,284
Real Estate	144,974	-	-	144,974
Industrials	137,305	-	-	137,305
Consumer Discretionary	96,863	-	-	96,863
Energy	32,804	-	-	32,804
Consumer Staples	70,347	-	-	70,347
Materials	47,158	-	-	47,158
Utilities	36,062	-	-	36,062
Communication Services	49,156	-	-	49,156
Mutual funds:				
Fixed income	182,622	-	-	182,622
Embedded derivative instrument	-	-	50,288	50,288
Total assets at fair value	$ 1,407,222	$ 81,607	$ 50,288	$ 1,539,117

NOTE K – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2020

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

The following table sets forth a summary of changes in the fair value of DreamSpring's level 3 assets for the year ended December 31, 2021:

	Embedded Derivative Instrument
Balance, beginning of year	$ 107,785
Change in fair value	(57,497)
Balance, end of year	$ 50,288

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Restricted for purpose:		
Specified grant expenses	$ 3,821,352	$ 761,227
Restricted for time:		
Pledges receivable	323,906	57,946
Less: Allowance for uncollectible unconditional promises to give	(16,278)	(15,977)
	4,128,980	803,196
Endowments:		
Subject to DreamSpring's endowment spending policy and appropriation:		
Loan portfolio	1,495,493	1,495,493
General operations	706,178	706,178
Total endowments	2,201,671	2,201,671
	$ 6,330,651	$ 3,004,867

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

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

	2021	2020
Restricted for time and/or purpose:		
Specified grant expenses	$ 1,064,874	$ 1,311,535
Restricted for time:		
Pledges receivable	129,608	1,174,312
	1,194,482	2,485,847
Restricted-purpose spending-rate distributions and appropriations:		
General operations	224,558	221,407
	$ 1,419,040	$ 2,707,254

NOTE M – ENDOWMENT FUNDS

1. Interpretation of Relevant Law

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

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

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

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 2,201,671	$ 2,201,671
Investment return:			
Investment income net of fees of $13,073	-	60,501	60,501
Net appreciation (realized and unrealized)	-	164,057	164,057
	-	2,426,229	2,426,229
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(224,558)	(224,558)
Endowment net assets, end of year	$ -	$ 2,201,671	$ 2,201,671

NOTE M – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

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

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

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

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

	2021	2020
Endowment restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 2,201,671	$ 2,201,671
Total endowment restricted net assets	$ 2,201,671	$ 2,201,671

NOTE M – ENDOWMENT FUNDS – CONTINUED

2. Investment and Spending Objectives

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

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

	2021	2020
Restricted endowment investment securities	$ 706,178	$ 706,178
Investments in loan portfolio	1,495,493	1,495,493
	$ 2,201,671	$ 2,201,671

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires DreamSpring to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2021 and 2020.

NOTE N – EMPLOYEE SAVINGS PLAN

DreamSpring sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with DreamSpring in the previous calendar year. DreamSpring will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 1, 2021 and 2020, as established by the Internal Revenue Service, were $13,500 for both years. For the years ended December 31, 2021 and 2020, DreamSpring's expense for the plan was $69,569 and $41,598, respectively.

NOTE O – CONTINGENCIES

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2021.

NOTE P – NEW ACCOUNTING STANDARDS

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

2. In June 2016, the FASB issued ASU 2016-13 *Financial Instruments – Credit Losses,* along with several amendments, which requires a financial asset or group of financial assets measured at amortized cost to be presented at the net amount expected to be collected. Using judgement in determining relevant information and estimation methods, the measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability for the reported amount. In November 2018, the FASB issued ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* which provides transition guidance and operating lease guidance. In May 2019, the FASB issued ASU 2019-04 *Financial Instruments – Credit Losses* which provides an option to irrevocably elect the fair value option for eligible instruments. In November 2019, the FASB issued ASU 2019-10 *Financial Instruments – Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815), *and Leases* (Topic 842) which updates the adoption effective date and ASU 2019-11 *Financial Instruments – Credit Losses* which provides changes to clarify and improve this section. In March 2022, the FASB issued ASU 2022-02 *Financial Instruments – Credit Losses* which eliminates certain accounting guidance for troubled debt restructurings by creditors and enhancing disclosure requirements for certain loan refinancings and restructurings. This ASU is effective for fiscal years beginning after December 15, 2021, for not-for-profit entities, but early adoption is permitted.

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

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

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

Federal Grantor - Pass-Through Grantor - Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Treasury			
Community Development Financial Institutions Fund Program			
Financial Assistance - 21RRP056601	21.024	-	$ 1,826,265
Financial Assistance - 201FA054723	21.020	-	266,673
Total Department of Treasury			**2,092,938**
Department of Commerce			
Economic Development Cluster			
Economic Development Administration			
Expreso Loan Program			
Program - 08-79-05385	11.307	-	137,259
Total Department of Commerce			**137,259**
Total Expenditures of Federal Awards			**$ 2,230,197**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – SIGNIFICANT ACCOUNTING POLICY

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

NOTE B – FEDERAL AWARD EXPENDITURES

The accompanying schedule of expenditures of federal awards includes $2,092,938 that was expended in the form of issuing small business loans receivable which are included in the small business loans receivable balance.

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

Board of Directors
DreamSpring and Subsidiaries
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of DreamSpring and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Directors
DreamSpring and Subsidiaries

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 29, 2022

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

Board of Directors
DreamSpring and Subsidiaries
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited DreamSpring and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DreamSpring and Subsidiaries' major federal programs for the year ended December 31, 2021. DreamSpring and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, DreamSpring and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DreamSpring and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of DreamSpring and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to DreamSpring and Subsidiaries' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DreamSpring and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DreamSpring and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding DreamSpring and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of DreamSpring and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of DreamSpring and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 29, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2021

I. Summary of Auditors' Results

Financial statements

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

B. Internal control over financial reporting:

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

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

Federal awards:

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

B. Internal control over major programs:

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

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

D. Identification of major federal award programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.024	Rapid Response Program

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

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

II. Financial Statement Audit Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2021

III. Findings and Questioned Costs – Major Federal Award Programs

None

IV. Prior Year Financial Statement Audit Findings

None

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

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

DreamSpring and Subsidiaries

IDENTIFICATION OF AUDIT PRINCIPAL

For the Year Ended December 31, 2021

Audit Principal:	Barbara Lewis, CPA
Name and address of independent accounting firm:	CliftonLarsonAllen LLP 6501 Americas Parkway NE Suite 500 Albuquerque, New Mexico 87110
Audit period:	Year Ended December 31, 2021
Telephone Number:	(505) 842-8290
Federal Employee ID Number:	41-0746749