DREAMSPRING AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

DREAMSPRING AND SUBSIDIARIES
TABLE OF CONTENTS
DECEMBER 31, 2023 AND 2022

CliftonLarsonAllen LLP
CLAconnect.com

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note A15 to the consolidated financial statements, effective January 1, 2023, DreamSpring and Subsidiaries adopted new accounting guidance for the measurement of credit losses on financial instruments through a cumulative-effect adjustment to net assets. Our opinion is not modified with respect to this matter.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, 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 26, 2024

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS

	2023	2022
ASSETS		
Cash	$ 21,033,186	$ 25,729,190
Restricted cash	90,923	103,128
Accrued interest on small business loans and other receivables	609,150	647,981
Contributions receivable, net of discounts and allowance for doubtful accounts of $98,805 in 2023 and $465,215 in 2022	912,622	5,279,069
Federal Grants receivable	362,740	-
Small business loans receivable, net	44,582,689	54,356,959
Small business PPP loans receivable, net	463,666	5,503,639
Derivative instrument	79,101	51,520
Prepaid expenses	191,294	215,123
Investment securities	1,447,970	1,261,349
Property, equipment and software, net	1,533,613	1,637,286
Land	1,003,216	1,003,216
Property held for sale	958	958
Total assets	$ 72,311,128	$ 95,789,418

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – CONTINUED
DECEMBER 31,

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable	$ 253,044	$ 226,518
Accrued payroll and payroll related liabilities	355,351	699,612
Advances and other accrued liabilities	1,282,465	10,499,083
Program advances	1,106,627	500,000
Unsecured lines-of-credit	6,098,721	6,100,000
Notes payable for PPP lending	216,626	7,067,742
Notes payable	12,828,488	12,642,967
Equity equivalent investments	13,825,000	8,825,000
Secured debt	3,471,501	3,488,511
Total liabilities	39,437,823	50,049,433
NET ASSETS		
Without donor restrictions:		
Undesignated	16,630,694	27,417,867
Noncontrolling interest in LLC companies	8,193,589	8,187,501
Total net assets without donor restrictions	24,824,283	35,605,368
With donor restrictions	8,049,022	10,134,617
Total net assets	32,873,305	45,739,985
Total liabilities and net assets	$ 72,311,128	$ 95,789,418

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31,

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Loan interest and fees	$ 7,658,756	$ 178,112	$ 7,836,868
Federal awards	3,791,115	-	3,791,115
In-kind contributions	1,854,506	-	1,854,506
Contributions, net	1,135,878	359,410	1,495,288
SBA PPP lending fees, net	944,639	-	944,639
Other revenue	237,485	-	237,485
Investment income, net	201,939	32,252	234,191
Net realized/unrealized gains on investments	-	141,140	141,140
Total revenue and support	15,824,318	710,914	16,535,232
Net assets released from restrictions	2,796,509	(2,796,509)	-
EXPENSES			
Program services	22,766,061	-	22,766,061
Fundraising	947,888	-	947,888
Support	992,838	-	992,838
Total expenses	24,706,787	-	24,706,787
CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	(6,085,960)	(2,085,595)	(8,171,555)
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES			
Gain on LLC activity	161,021	-	161,021
Distributions	(154,933)	-	(154,933)
Total changes in net assets from noncontrolling interest in LLC companies	6,088	-	6,088
CHANGES IN NET ASSETS	(6,079,872)	(2,085,595)	(8,165,467)
Net assets, as previously presented December 31, 2022	35,605,368	10,134,617	45,739,985
Cumulative effect of change in accounting principle	(4,701,213)	-	(4,701,213)
Net assets, as restated	30,904,155	10,134,617	41,038,772
Net assets, end of year	$ 24,824,283	$ 8,049,022	$ 32,873,305

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – CONTINUED
YEARS ENDED DECEMBER 31,

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
SBA PPP lending fees, net	$ 11,769,174	$ -	$ 11,769,174
Contributions, net	2,606,420	5,215,786	7,822,206
Loan interest and fees	5,914,979	80,369	5,995,348
In-kind contributions	849,353	-	849,353
Net realized/unrealized (losses) on investments	-	(258,133)	(258,133)
Investment income, net	9,669	19,930	29,599
Other revenue	107,378	-	107,378
Total revenue and support	21,256,973	5,057,952	26,314,925
Net assets released from restrictions	1,253,986	(1,253,986)	-
EXPENSES			
Program services	18,753,297	-	18,753,297
Fundraising	808,921	-	808,921
Support	1,187,559	-	1,187,559
Total expenses	20,749,777	-	20,749,777
CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	1,761,182	3,803,966	5,565,148
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES			
Gain on LLC activity	137,277	-	137,277
Distributions	(137,000)	-	(137,000)
Total changes in net assets from noncontrolling interest in LLC companies	277	-	277
CHANGES IN NET ASSETS	1,761,459	3,803,966	5,565,425
Net assets, beginning of year	33,843,909	6,330,651	40,174,560
Net assets, end of year	$ 35,605,368	$ 10,134,617	$ 45,739,985

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31,

	2023			
	Program Services	Fundraising	Support	Total
Loan loss provision	$ 11,344,885	$ -	$ -	$ 11,344,885
Salaries	4,115,342	664,419	567,167	5,346,928
In kind interest	1,844,418	-	-	1,844,418
Professional fees	1,408,666	59,619	138,634	1,606,919
Interest	1,182,810	-	-	1,182,810
Loan servicing expense	566,169	-	-	566,169
Marketing and development	587,818	13,788	30	601,636
Software fees and licensing	447,531	47,510	54,988	550,029
Employee benefits	279,358	45,102	38,500	362,960
Payroll taxes	275,762	44,522	38,005	358,289
Telephone	130,492	19,411	18,697	168,600
Temporary services	146,791	-	15,892	162,683
Depreciation and amortization	96,234	8,869	8,977	114,080
Conferences, meetings and trainings	64,522	12,804	35,970	113,296
Occupancy	82,383	6,200	10,772	99,355
Travel	72,270	18,917	7,132	98,319
Miscellaneous expense	25,526	2,363	42,124	70,013
Insurance	39,794	-	13,265	53,059
Supplies	31,550	1,753	1,753	35,056
Subscriptions and dues	16,299	1,784	932	19,015
Postage	7,441	827	-	8,268
Total	$ 22,766,061	$ 947,888	$ 992,838	$ 24,706,787

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
YEARS ENDED DECEMBER 31,

	2022			
	Program Services	Fundraising	Support	Total
Loan loss provision	$ 7,327,151	$ -	$ -	$ 7,327,151
Salaries	3,962,137	476,860	724,213	5,163,210
Loan expense	1,353,599	-	-	1,353,599
Professional fees	984,601	151,148	148,303	1,284,052
Marketing and development	1,182,040	17,419	426	1,199,885
Interest	1,021,683	-	-	1,021,683
Imputed interest	843,871	-	-	843,871
Software fees and licensing	527,986	20,311	64,222	612,519
Employee benefits	284,757	34,272	52,049	371,078
Payroll taxes	278,972	33,575	50,991	363,538
Telephone	164,211	19,764	30,015	213,990
Depreciation and amortization	181,192	7,456	11,323	199,971
Supplies	165,326	9,185	9,185	183,696
Conferences and meetings	112,675	17,254	23,919	153,848
Travel	89,995	12,643	16,752	119,390
Temporary services	115,642	-	-	115,642
Occupancy	66,051	6,708	15,444	88,203
Insurance	41,651	-	13,884	55,535
Miscellaneous expense	21,399	1,132	22,733	45,264
Subscriptions and dues	21,362	417	4,100	25,879
Postage	6,996	777	-	7,773
	$ 18,753,297	$ 808,921	$ 1,187,559	$ 20,749,777

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Small business loan payments received	$ (619,182)	$ (14,091,241)
Contributions received	5,861,735	2,823,188
Federal awards received	4,035,002	(220,495)
Other cash receipts	234,193	77,869
Payments for salaries, benefits and payroll taxes	(6,412,438)	(5,897,730)
Payments to vendors	(5,030,568)	(7,054,709)
Interest paid	(1,309,231)	(1,170,482)
Net cash used in operating activities	(3,240,489)	(25,533,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	397,441	522,288
Purchase of investments	(406,920)	(525,363)
Purchase of property, equipment and software	(10,407)	(28,025)
Investment in small business loans	(26,875,811)	(70,712,109)
Repayments and recoveries of small business loans	22,043,829	112,445,903
Proceeds from sale of small business loans	5,226,072	8,025,629
Net cash provided by investing activities	374,204	49,728,323
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	1,436,633	2,678,366
Repayment of secured debt	(1,453,643)	(2,868,117)
Proceeds from unsecured notes payable	8,154,319	-
Repayment of unsecured notes payable	(9,823,021)	(94,444,740)
Repayments of unsecured lines-of-credit, net	(1,279)	6,099,801
Repayments on capital lease obligation	-	(5,598)
Distributions to noncontrolling interests in consolidated LLC companies	(154,933)	(137,000)
Net cash used in financing activities	(1,841,924)	(88,677,288)
NET DECREASE IN CASH	(4,708,209)	(64,482,565)
Cash, beginning of year	25,832,318	90,314,883
Cash, end of year	$ 21,124,109	$ 25,832,318

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED
YEARS ENDED DECEMBER 31,

	2023	2022
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ (8,171,555)	$ 5,565,148
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	(141,140)	258,133
LLC activity	161,021	137,277
Depreciation and amortization	114,080	199,761
Non cash note payable closing fees	3,107	557
Loan loss provision	11,344,885	7,327,151
Amortization of deferred loan fees, net	(958,882)	(10,025,424)
Present value discount and amortization on contributions receivable	(252,388)	(330,729)
Uncollectible contributions	(94,022)	(118,208)
Donated stock	(36,002)	(27,577)
Change in fair value of derivative instrument	(27,581)	(1,232)
(Increases) decreases in operating assets:		
Accrued interest and other receivables	38,831	331,726
Contributions receivable	4,712,858	(4,522,504)
Grants receivable	(362,740)	137,258
Prepaid expenses	23,829	(48,659)
Increases (decreases) in operating liabilities:		
Accounts payable	26,526	4,287
Accrued payroll	(344,261)	96
Program advances	606,627	(357,753)
Other accrued liabilities and third party participation on small business loans	(9,883,682)	(24,062,908)
	$ (3,240,489)	$ (25,533,600)

SUPPLEMENTAL DATA

	2023	2022
In-kind revenues and expenses	$ 1,854,506	$ 849,353

See accompanying Notes to Consolidated Financial Statements.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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 27 state region including Alabama, Arizona, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, 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, 2023 and 2022, the unguaranteed CA loan portfolio was $613,839 and $305,470, respectively, and the required loan loss reserve account was $51,000 at both December 31, 2023 and 2022. 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

The noncontrolling activities of the LLCs are as follows:

	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 2028	December 2031	December 2026	December 2026	April 2024	December 2027	
Balance at December 31, 2021	$ 1,200,199	$ 250,027	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,025,012	$ 8,187,224
Distributions	-	-	(5,000)	(60,000)	(47,000)	(25,000)	(137,000)
Net income	1	1	5,000	60,000	47,000	25,275	137,277
Balance at December 31, 2022	1,200,200	250,028	255,001	3,059,985	2,397,000	1,025,287	8,187,501
Distributions	(17,933)	-	(5,000)	(60,000)	(47,000)	(25,000)	(154,933)
Net income	24,020	1	5,000	60,000	47,000	25,000	161,021
Balance at December 31, 2023	$ 1,206,287	$ 250,029	$ 255,001	$ 3,059,985	$ 2,397,000	$ 1,025,287	$ 8,193,589

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, 2023 and 2022. 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 2023 or 2022.

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, 2023 and 2022. 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 2020.

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. Cash at December 31, 2023 is $21,033,186 and restricted cash is $90,923 for a total of $21,124,109 for statement of cash flow purposes. Cash at December 31, 2022 is $25,729,190 and restricted cash is $103,128 for a total of $25,832,318 for statement of cash flow purposes.

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, California, New Mexico, Texas, Colorado, Florida, and Arizona. DreamSpring considers these locations as geographic concentrations potentially subject to risk. DreamSpring began lending in additional states in 2020.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

7. Accounts and Microenterprise and Small Business Loans Receivable

The Company maintains multiple loan portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Small Business Term and Line of Credit Loans – The small business term and line of credit loans are comprised of both micro and small business loans. All loans are made for business purposes and are generally uncollateralized if originated prior to July 2023 (when collateralization became required). Underwriting criteria can range based on the size and product. Economic trends such as inflation can affect borrowers' capacity to repay. Often the personal guarantors on these loans are lacking significant financial wherewithal so issues such as a significant change in health or employment conditions can also put loan repayment as risk. Finally, many of the small businesses DreamSpring works with are startups which fail at higher rates than more seasoned businesses, this can also affect loan repayment.

Commercial Real Estate – These loans carry minimal risk compared with other DreamSpring originated loans as they are collateralized by commercial real estate. DreamSpring only issues these types of loans when the real estate will be occupied by an operating business which will be a guarantor on the loan. These "Owner Occupied" commercial real estate loans are less risky than investor type commercial real estate loans as they are not as impacted by trends in vacancy rates. These loans and the collateral pledged are under more scrutiny as they are reviewed by multiple underwriters and a group of volunteer business bankers before decisions are made. In addition, appraisals and title searches are also required on the collateral.

SBA 7(a) – Loans originated under the SBA 7(a) program have a 75% to 85% guarantee based on the size of loan. These loans are generally greater than $50,000 and undergo significant underwriting to ensure SBA standards are met. DreamSpring reserves for the unguaranteed portion of the loans. Historically, since DreamSpring originated loans under this program, DreamSpring has yet to have a guarantee denied which is why this portfolio has minimal risk factors.

Loans originated and serviced through partnerships – DreamSpring has partnered with organizations who help originate loans on our behalf using agreed upon underwriting criteria. In addition to these originations, DreamSpring also purchased A to A++ tier loans. This portfolio has lower risk because most loans have been graded in the highest tiers meaning they have undergone substantial underwriting ensuring viability of repayment.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

SBA guarantees purchased – DreamSpring has purchased the guaranteed portion of SBA loans on the secondary market. These loans possess minimal risk as DreamSpring owns only the fully guaranteed portion.

SBA PPP loans – These loans possess minimal risk as they are 100% guaranteed by the SBA. DreamSpring reserves for loans with known issues.

The allowance for loan losses for the loan portfolio 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 over 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.

Prior to the adoption of ASC 326 as discussed below, 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 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.

Allowance for Credit Losses on Loans
Effective, January 1, 2023, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the statement of financial position date. Loan losses are charged off against the allowance for credit losses on loans when DreamSpring determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in interest rates and inflationary environment.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type and first payment performance. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by DreamSpring.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

DreamSpring uses the weighted average remaining maturity ("WARM") method in determining expected future credit losses for each of the loan categories except loans serviced by partners. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

To estimate a current expected credit loss (CECL) rate for the pool, management first identifies the loan losses recognized between the pool date and the reporting date for the pool and determines which loan losses were related to loans outstanding at the pool date. The loss rate method then divides the loan losses recognized on loans outstanding as of the pool date by the outstanding loan balance as of the pool date.

The Company’s expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look–back period includes December 2019 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

Qualitative reserves reflect management’s overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit–related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management’s ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; and (ix) other qualitative and quantitative factors which could affect expected credit losses.

DreamSpring’s CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

DreamSpring utilized the Lifetime Loss Rate method in determining expected future credit losses for loans originated and serviced through partnerships. This technique considers losses over the full life cycle of loan pools. The loss rate method measures the amount of loan charge–offs, net of recoveries, (“loan losses”) recognized over the life of a pool by loan segment and compares those loan losses to the original loan balance of that pool.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, management reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors. Prior to the adoption of ASC 326, DreamSpring used an incurred loss model to measure an allowance for loan losses.

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, 2023 and 2022. 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, 2023 and 2022, was $114,080 and $199,971, 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, 2023 and 2022.

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, 2023 and 2022, DreamSpring received and recognized $10,088 and $5,482, respectively, of donated services for pro bono legal services. The legal services were utilized in management and general activities and was estimated based on the value as provided by the company providing the legal services. For the years ended December 31, 2023 and 2022, DreamSpring recognized in-kind revenues and expenses of $1,844,418 and $843,871 of imputed interest on below market interest bearing notes, respectively. The fair market value of this benefit is calculated as the difference between the interest rate stated on the below market rate notes from institutions and the prime rate at the time interest is incurred. These costs are fully programmatic.

12. Functional Allocation of Expenses

The costs of providing the fundraising activities, 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:

	2023	2022
Program services	$ 119,766	$ 113,632
Fundraising	13,307	12,626
Total joint costs	$ 133,073	$ 126,258

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $575,360 and $1,189,815 for the years ended December 31, 2023 and 2022, respectively, and are included in marketing and development expenses.

14. Reclassified Amounts

Certain 2022 amounts have been reclassified to be consistent with the presentation of 2023 amounts.

15. Change in Accounting Principles

On January 1, 2023, DreamSpring adopted ASU 2016-03, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (CECL). The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit.

The Company adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-balance sheet credit exposures. Results for annual periods beginning after January 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to net assets in the amount of $4,701,213 as of January 1, 2023 representing the cumulative effect of adopting this standard. The adjustment includes the allowance for credit losses for loans as well as an adjustment for unfunded commitments.

On March 31, 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses* (Topic 326) *Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring ("TDR"), accounting model for creditors that have adopted Topic 326, *Financial Instruments – Credit Losses*. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications made on or after January 1, 2023 to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan segment in the allowance for credit losses on loans. The Company has adopted ASU 2022-02 effective on January 1, 2023.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Subsequent Events

Subsequent events have been evaluated through April 26, 2024, 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, 2023. Management does not believe any 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, 2023 and 2022, to meet operating and lending liquidity needs during each respective year:

	2023	2022
Total non-restricted cash	$ 21,033,186	$ 25,729,190
Less: net assets with donor restrictions	(5,847,351)	(7,932,946)
Less: non-operating PPP receipts	(43,824)	(8,893,522)
Interest and other receivables	609,150	647,981
Contribution receivables expected to be received in subsequent year	1,011,427	5,744,284
Federal award receivables expected to be received in subsequent year	362,740	-
Small business loans receivable estimated to be collected in one year	13,248,000	10,349,893
Less: Unfunded commitments to customers on lines-of-credit	(3,316,123)	(3,262,240)
	$ 27,057,205	$ 22,382,640

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:

	2023		
	Fair Value	Cost	Unrealized Gain (Loss)
Equity securities	$ 1,080,901	$ 836,408	$ 244,493
Mutual funds	181,712	228,906	(47,194)
Government and agency securities	116,348	122,760	(6,412)
Corporate bonds	69,009	73,683	(4,674)
Total	$ 1,447,970	$ 1,261,757	$ 186,213

	2022		
	Fair Value	Cost	Unrealized Gain (Loss)
Equity securities	$ 946,091	$ 812,027	$ 134,064
Mutual funds	159,822	210,419	(50,597)
Government and agency securities	95,250	104,001	(8,751)
Corporate bonds	60,186	68,017	(7,831)
Total	$ 1,261,349	$ 1,194,464	$ 66,885

Investment returns consist of the following at December 31:

	2023	2022
Interest and dividends	$ 248,227	$ 41,890
Investment fees	(14,036)	(12,291)
	$ 234,191	$ 29,599

	2023	2022
Realized gains	$ 24,899	$ 18,991
Unrealized gains (losses)	116,241	(277,124)
	$ 141,140	$ (258,133)

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.

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, 2023 and 2022, are expected to occur as follows:

	2023	2022
In less than one year	$ 11,427	$ 2,444,284
In one to five years	1,000,000	3,300,000
	1,011,427	5,744,284
Less: Allowance for doubtful accounts	(20,464)	(134,486)
Less: Discount to net present value	(78,341)	(330,729)
	$ 912,622	$ 5,279,069

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.

During 2022, DreamSpring was awarded a $5,300,000 multi-year grant from a foundation. The grant is donor restricted for lending and certain specified expenses as incurred. There were $1,069,339 in expenses incurred in 2023.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE

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

	2023	2022
Small business term & line-of-credit loans	$ 28,020,823	$ 33,268,933
Commercial Real Estate	2,778,254	1,435,117
SBA 7(a) and other guaranteed loans	2,965,078	1,616,796
Loans originated and serviced through partnerships	8,261,827	13,456,597
SBA Guarantees purchased	13,866,537	11,936,999
SBA PPP loans	519,596	6,562,057
Total	56,412,115	68,276,499
Add: Premiums on loans purchased	1,228,871	1,314,190
Less: Loan loss allowance	(10,708,686)	(6,927,923)
Less: Deferred closing fees, net	(1,830,015)	(1,743,750)
Less: PPP deferred fees, net	(55,930)	(1,058,418)
	$ 45,046,355	$ 59,860,598

DreamSpring elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023, and 2022, accrued interest receivable for loans totaled $452,483 and $364,444 respectively, and is included in accrued interest receivable on the consolidated statements of financial position.

During 2023, DreamSpring purchased $3,522,864 of SBA guaranteed loans from a third party broker in addition to the $13,164,991 purchased in 2022. Premiums of $266,988 and $1,503,873 for the years ended December 31, 2023 and 2022, respectively, are being amortized as an offset to interest revenue over a 60 month period. There is no allowance for loan loss recorded for these loans as they are 100% guaranteed by the SBA.

During 2023 and 2022, DreamSpring purchased and originated loans of $423,166 and $14,896,497, respectively, with an unrelated entity. An allowance for loan loss for these loans is included in the above disclosed amount.

The Organization sells participating interests in loans to an unrelated entity. Participation loan interests serviced is not included in the accompanying consolidated statements of financial position. The unpaid principal balances of loans serviced were $8,245,773 and $13,958,639 at December 31, 2023 and 2022, respectively. The Organization receives a servicing fee for servicing the participating interest in the loans. DreamSpring does not separately recognize a servicing asset or liability related to these servicing fees because management believes the benefits provided to them are equal to adequate compensation for providing such services.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

A summary of the activity in the allowance for credit losses on loans for the years ended December 31, 2023 and 2022, respectively, are as follows. The Company adopted CECL as of January 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.

Activity in the allowance for loan loss follows:

December 31, 2023	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a)	Loans originated and serviced through partnerships	SBA guarantees purchased	SBA PPP loans	Total
Allowance of Credit Losses:							
Beginning Year Balance:	$ 5,954,510	$ 214,882	$ 82,427	$ 653,413	$ -	$ 22,691	$ 6,927,923
Adoption of CECL	3,765,307	(192,520)	(20,457)	771,793		-	4,324,123
Provision for Credit Losses	10,019,692	(7,987)	239,162	408,425		393,008	11,052,300
Loans Charged-Off	(10,353,613)	-	(129,799)	(956,576)		(460,772)	(11,900,760)
Recoveries of Loans Previously Charged-Off	264,699	-	(22,003)	-		62,404	305,100
Balance at End of Year	$ 9,650,595	$ 14,375	$ 149,330	$ 877,055	$ -	$ 17,331	$ 10,708,686

December 31, 2022	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a)	Loans originated and serviced through partnerships	SBA guarantees purchased	SBA PPP loans	Total
Allowance of Credit Losses:							
Beginning Year Balance:	$ 1,974,185	$ 425,397	$ 132,443	$ 6,138	$ -	$ -	$ 2,538,163
Provision for Credit Losses	7,121,217	(326,971)	(27,374)	647,275	-	160,105	7,574,252
Loans Charged-Off	(3,405,964)	-	(36,896)	-	-	(137,414)	(3,580,274)
Recoveries of Loans Previously Charged-Off	265,072	116,456	14,254	-	-	-	395,782
Balance at End of Year	$ 5,954,510	$ 214,882	$ 82,427	$ 653,413	$ -	$ 22,691	$ 6,927,923

In addition to the allowance for credit losses on loans above, DreamSpring has established an allowance for credit losses on unfunded commitments, classified in other liabilities on the consolidated statements of financial position. This allowance is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments, and is determined based on a methodology similar to the methodology for determining the allowance for credit losses on the related loans. The allowance for credit losses on unfunded commitments as of December 31, 2023 was $667,064.

The provision for credit losses is determined by DreamSpring as the amount to be added to the allowance for credit losses for various types of financial instruments including loans and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

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. Collateral dependent loans other than commercial real estate are not considered material. 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 allowance for loan losses for loans is evaluated collectively for impairment by collateral class.

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. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized as an adjustment of the related loan yield using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status. 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 current delinquency and historic write-off trends.

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

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 $280,221 and 225,179 in 2023 and 2022, respectively, were covered by this agreement resulting in the lender taking losses of approximately $32,585 and 48,992 in 2023 and 2022, 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.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

The following tables show the aging analysis of the loan portfolio by time past due:

	December 31, 2023						
	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a) and other guaranteed loans	Loans serviced by Funding Circle	SBA guarantees purchased	SBA PPP Loans	Total
Current	$ 19,979,871	$ 2,477,234	$ 2,868,854	$ 7,814,988	$ 13,866,537	$ 404,558	$ 47,412,042
1-30 Days	2,074,219	301,020	-	61,750		27,686	2,464,675
Past due and non accrual:							
31-60 Days	1,426,713	-	15,578	150,027	-	26,162	1,618,480
61-90 Days	1,308,115	-	-	-	-	14,817	1,322,932
91-120 Days	1,058,031	-	-	-	-	18,039	1,076,070
120-180 Days	2,173,874	-	-	235,062	-	19,446	2,428,382
>180 Days	-	-	80,646	-	-	8,888	89,534
Total past due and non accrual	5,966,733	-	96,224	385,089	-	87,352	6,535,398
Small business loans receivable	28,020,823	2,778,254	2,965,078	8,261,827	13,866,537	519,596	56,412,115
Add: Loan Premiums	-	-	-	-	1,228,871	-	1,228,871
Less: Loan loss reserve allowance	(9,650,596)	(14,375)	(149,330)	(877,054)	-	(17,331)	(10,708,686)
Less: Unamortized Loan Fees	(1,810,442)	-	(1,228)	(18,345)	-	(55,930)	(1,885,945)
Total small business loans receivable	$ 16,559,785	$ 2,763,879	$ 2,814,520	$ 7,366,428	$ 15,095,408	$ 446,335	$ 45,046,355
Small business loans receivable past due > 30 days and still accruing interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	December 31, 2022						
	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a) and other guaranteed loans	Loans serviced by Funding Circle	SBA guarantees purchased	SBA PPP Loans	Total
Current	$ 25,274,934	$ 2,728,933	$ 1,535,079	$ 12,867,972	$ 11,936,999	$ 1,466,380	$ 55,810,297
1-30 Days	2,019,795	-	80,646	262,576		311,277	2,674,294
Past due and non accrual:							
31-60 Days	1,280,335	-	18,811	-	-	222,150	1,521,296
61-90 Days	1,478,632	-	43,861	-	-	1,577,302	3,099,795
91-120 Days	1,076,036	-	-	-	-	1,535,775	2,611,811
120-180 Days	688,076	-	-	345,713	-	1,449,173	2,482,962
>180 Days	-	-	76,044	-	-	-	76,044
Total past due and non accrual	4,523,079	-	138,716	345,713	-	4,784,400	9,791,908
Small business loans receivable	31,817,808	2,728,933	1,754,441	13,476,261	11,936,999	6,562,057	68,276,499
Add: Loan Premiums	-	-	-	-	1,314,190	-	1,314,190
Less: Loan loss reserve allowance	(5,954,510)	(214,882)	(82,427)	(653,413)	-	(22,691)	(6,927,923)
Less: Unamortized Loan Fees	(1,719,525)	-	(1,051)	(23,174)	-	(1,058,418)	(2,802,168)
Total small business loans receivable	$ 24,143,773	$ 2,514,051	$ 1,670,963	$ 12,799,674	$ 13,251,189	$ 5,480,948	$ 59,860,598
Small business loans receivable past due > 30 days and still accruing interest	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

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 99 and 97 have outstanding balances as of December 31, 2023 and 2022, of $1,332,107 and $1,108,316, respectively.

TDRs to borrowers experiencing financial difficulty may include interest rate reductions, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2023:

	Type of Concession		
December 31, 2023	Term Extensions	Term Extension and Interest Rate Reduction	Total
Small business term & line-of-credit loans	$ 99,682	$ 735,364	$ 835,046

The following table presents the loan modifications made to borrowers experiencing financial difficulty that defaulted (within 12-month of making the modification) during the year ended December 31, 2023:

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted		
	Term Extensions	Term Extension and Interest Rate Reduction	Total
Small business term & line-of-credit loans	$ 27,940	$ 493,932	$ 521,872

The post-modification outstanding balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

The following table shows the types of modifications made during the year ended December 31, 2022:

	Type of Concession		
December 31,2022	Interest Rate Reductions	Term Extension and Interest Rate Reduction	Total
Small business term & line-of-credit loans	$ 103,508	$ 375,732	$ 479,240
SBA 7(a) and other guaranteed loans	-	21,418	21,418
	$ 103,508	$ 397,150	$ 500,658

DreamSpring does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are on nonaccrual.

The following table summarizes troubled debt restructurings which have re-defaulted (defined as past due 30 days) during the year ended December 31, 2022 that were restructured within the twelve months prior to such re-default:

	During the Year Ended December 31,	
December 31,2022	Number of Loans	Outstanding Balance
Small business term & line-of-credit loans	12	$ 154,583
SBA 7(a) and other guaranteed loans	1	18,811
	13	$ 173,394

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.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

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, 2023 and 2022, under this MOA was $1,504 and $241,876 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.

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 years ended December 31, 2023 and 2022 were $944,639 and $11,769,174, respectively, and unamortized loan fees of $55,930 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 2021 to add $5,000,000 to funds available and create a 2021 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 2021 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 $79,101 and $51,035 as of December 31, 2023 and 2022, 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.

NOTE F – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT – CONTINUED

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 $3,471,501 and $3,488,511 as of December 31, 2023 and 2022, respectively. The remaining interest earned on the participation loans is retained by DreamSpring. Interest expense on the secured debt was $97,754 and $105,196 for the years ended December 31, 2023 and 2022, 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:

	2023	2022
Building	$ 2,277,579	$ 2,267,172
Computer equipment and software	774,141	774,141
Furniture and office equipment	288,974	288,974
	3,340,694	3,330,287
Less accumulated depreciation	(1,807,081)	(1,693,001)
Total	$ 1,533,613	$ 1,637,286
Land	$ 1,003,216	$ 1,003,216

NOTE H – PROGRAM ADVANCES

During 2022, DreamSpring was awarded and received a $500,000 conditional grant. $375,000 in revenues and expenses related to this grant were recognized during 2023 and the remaining $125,000 is recorded as a program advance as of December 31, 2023.

During 2023, DreamSpring was awarded and received a $750,000 conditional grant. No revenues and expenses related to this grant were recognized during 2023 and the full amount is recorded as a program advance as of December 31, 2023. Additionally, DreamSpring was awarded a $4,957,678 federal award with the Community Development Financial Institutions Fund Program through the Department of Treasury. $3,000,000 was advanced to DreamSpring and $2,768,374 in revenue and expenses related to this grant were recognized as of December 31, 2023. The remaining $231,626 is recorded as a program advance as of December 31,2023.

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 was unsecured and bore interest at 1%. DreamSpring had applied for forgiveness and had been notified the forgiveness application had been submitted for further review. As of December 31, 2021, no amount of the refundable program advance was recognized as revenue as management was uncertain as to whether they would be granted forgiveness of all or a portion of the loan. However as of December 31, 2022, the full amount of the refundable program advance was recognized as revenue as DreamSpring was granted forgiveness for the full loan amount during 2022. The SBA may still review funding eligibility and usages of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any from potential noncompliance cannot be determined with certainty, however, management is of the opinion that any further review will not have a material impact on DreamSpring’s consolidated financial statements.

NOTE I – UNSECURED LINES-OF-CREDIT OUTSTANDING

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

Financial Institution	Limit	Interest Rate	Maturity Date	Restrictive Covenants	Outstanding Balance 2023	Outstanding Balance 2022
First National, a division of Sunflower Bank N.A.	$ 3,000,000	6.11%	October 2024	Yes	$ 2,999,677	$ 3,000,000
First National, a division of Sunflower Bank N.A.	1,500,000	5.74%	January 2025	Yes	1,499,744	-
First Citizens Bank & Trust Company	1,000,000	2.00%	October 2024	Yes	1,000,000	1,000,000
Bank of the West	600,000	1.75%	Full payment with written termination	Yes	599,300	600,000
Washington Federal	1,500,000	2.50%	May 2023 (not renewed)	Yes	-	1,500,000
					$ 6,098,721	$ 6,100,000

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:

	2023	2022
Notes Payable		
Note Payable with Opportunity Finance Network, $1,666,667 due October 2029-October 2031, 3% interest annum.	$ 5,000,000	$ 5,000,000
Note payable with Bank of America, net of issuance costs, due as follows: $1,500,000 due September 2024, 3% interest per annum.	1,499,855	2,499,540
Note payable with CNote Group, due as follows: $1,000,000 due August 2025, $114,446 due January 2026, and $565,000 due February 2026, 4% interest per annum.	1,679,446	-
Note payable with Woodforest Bank, net of issuance costs full payment due September 2026, 5.25% interest per annum.	1,477,665	-

NOTE J – NOTES PAYABLE – CONTINUED

	2023	2022
Subordinated note payable with First National Bank of Nebraska, due April 2025, 1% interest per annum.	$ 999,139	$ 1,000,000
Note payable with Kellogg Foundation, $200,000 due 2024 - 2025, 1% interest per annum.	400,000	599,000
Note payable with Energize Gap Colorado Fund December 2026, 0% interest per annum.	285,000	285,000
Note payable with Piton Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000
Note payable with Gates Family Foundation, full payment due December 2029, 2% interest per annum.	500,000	500,000
Note payable with Albuquerque Community Foundation, due July 2025, 2% interest per annum	250,000	250,000
Note payable with Kenneth King Foundation, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Chinook Fund, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Liman Family Fund, full payment due December 2024, 2% interest per annum.	50,000	50,000
Note payable with Women's Foundation of Colorado, full payment due December 2029, 2% interest per annum.	50,000	50,000
Note payable with Colorado Department of Local Affairs, due upon mutual agreed terms, 0% interest per annum.	17,383	39,427
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
Note payable with The Colorado Health Foundation, due August 2023, 1% interest per annum.	-	1,750,000
	12,828,488	12,642,967

NOTE J – NOTES PAYABLE – CONTINUED

	2023	2022
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.	$ 161,396	$ 5,301,072
Note Payable with PNC Bank, due March 2026, 1% interest per annum.	55,230	727,060
Note Payable with The Colorado Health Foundation, due August 2023, 1% interest per annum.	-	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.	-	39,610
Total notes payable for PPP lending	216,626	7,067,742
Total	$ 13,045,114	$ 19,710,709

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

At December 31, 2023, future principal repayments are as follows:

Year Ending December 31,	Amount
2024	$ 1,767,238
2025	2,481,617
2026	2,646,259
2027	-
2028	-
Thereafter	6,150,000
Total	$ 13,045,114

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

DreamSpring incurred $1,182,810 and $916,487 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2023 and 2022, respectively. Additionally, DreamSpring also recorded in-kind contributions and in-kind expense totaling $1,844,418 and $843,871 in imputed interest, using rates between 2.00% - 8.50% during the years ended December 31, 2023 and 2022, respectively, to recognize the interest savings benefit realized on zero-percent and below market rate notes.

NOTE J – NOTES PAYABLE – CONTINUED

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, 2023, DreamSpring was in compliance with all such requirements or had received an approved waiver where applicable.

Approximately $43,824 and $8,893,522 in receipts related to PPP loans forgiven by the SBA were received as of years ended December 31, 2023 and 2022, respectively, 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 – EQUITY EQUIVALENT INVESTMENTS (EQ2 NOTES)

DreamSpring shows EQ2 notes under Liabilities on the consolidated statements of financial position in order to represent more clearly the nature of the payable and to adhere to industry practices. The EQ2 is defined by having six attributes as follows (1) the EQ2 investment is carried as an investment on the investor's balance sheet in accordance with GAAP. (2) the EQ2 investment is a general obligation of DreamSpring that is not secured by any of DreamSpring's assets; (3) the EQ2 investment is fully subordinated to the right of repayment of all DreamSpring's other creditors; (4) the EQ2 investment does not give the investor the right to accelerate payment unless DreamSpring ceases its normal operations; (5) the EQ2 investment carries an interest rate that is not tied to any income received by DreamSpring; and (6) the EQ2 investment has a rolling term, and therefore, an indeterminate maturity (also known as an evergreen provision).

Equity Equivalent Investments consist of the following at December 31:

	2023	2022
Equity Equivalent Investment with Zion's Bank, due May 2033, 2% interest per annum.	$ 5,000,000	$ -
Equity Equivalent Investment with Wells Fargo, full payment due June 2028, 2% interest per annum.	2,425,000	2,425,000
Equity Equivalent Investment with PNC Bank, due November 2025, 2.5% interest per annum.	2,000,000	2,000,000
Equity Equivalent Investment with Zion's Bank, due May 2030, 2% interest per annum.	1,500,000	1,500,000

NOTE K – EQUITY EQUIVALENT INVESTMENTS (EQ2 NOTES) – CONTINUED

	2023	2022
Equity Equivalent Investment with American Express, due October 2026, 2.5% interest per annum.	$ 1,000,000	$ 1,000,000
Equity Equivalent Investment with First Bank, due September 2029, 2% interest per annum.	1,000,000	1,000,000
Equity Equivalent Investment with Wells Fargo, quarterly payments due starting April 2024 through December 2025, 2% interest per annum.	400,000	400,000
Equity Equivalent Investment with Wells Fargo, due September 2026, 2% interest per annum.	250,000	250,000
Equity Equivalent Investment with Dallas Development Fund, full payment due August 2029, 1% interest per annum.	250,000	250,000
	$ 13,825,000	$ 8,825,000

NOTE L – 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.

NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from December 31, 2022 through 2023.

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

Equity securities: Valued at publicly traded market value.

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

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

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

NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of assets measured are as follows:

Assets at Fair Value as of December 31, 2023

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Intermediate term	$ 3,975	$ 3,482	$ -	$ 7,457
Long-term	26,183	-	-	26,183
Corporate bonds				
Intermediate term	-	64,346	-	64,346
Long-term	-	5,290	-	5,290
Equity securities:				
Financials	173,079	-	-	173,079
Information Technology	169,106	-	-	169,106
Industrials	143,163	-	-	143,163
Real Estate	132,656	-	-	132,656
Health Care	125,398	-	-	125,398
Consumer Discretionary	97,599	-	-	97,599
Consumer Staples	69,416	-	-	69,416
Communication Services	59,510	-	-	59,510
Energy	53,808	-	-	53,808
Materials	32,645	-	-	32,645
Utilities	26,327	-	-	26,327
Mutual funds:				-
Fixed income	178,717	-	-	178,717
Mortgage/Asset Backed	-	83,270	-	83,270
Embedded derivative instrument	-	-	79,101	79,101
Total assets at fair value	$ 1,291,582	$ 156,388	$ 79,101	$ 1,527,071

NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2022

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Intermediate term	$ 2,709	$ 3,552	$ -	$ 6,261
Long-term	22,058	-	-	22,058
Corporate bonds				
Intermediate term	-	53,140	-	53,140
Long-term	-	7,627	-	7,627
Equity securities:				
Information Technology	160,360	-	-	160,360
Financials	138,446	-	-	138,446
Health Care	113,074	-	-	113,074
Real Estate	103,897	-	-	103,897
Industrials	124,188	-	-	124,188
Consumer Discretionary	85,072	-	-	85,072
Energy	45,805	-	-	45,805
Consumer Staples	56,331	-	-	56,331
Materials	44,533	-	-	44,533
Utilities	31,212	-	-	31,212
Communication Services	43,172	-	-	43,172
Mutual funds:				-
Fixed income	159,823	-	-	159,823
Mortgage/Asset Backed	-	66,350	-	66,350
Embedded derivative instrument	-	-	51,520	51,520
Total assets at fair value	$ 1,130,680	$ 130,669	$ 51,520	$ 1,312,869

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, 2023:

	Embedded Derivative Instrument
Balance, beginning of year	$ 51,520
Change in fair value	27,581
Balance, end of year	$ 79,101

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Restricted for purpose:		
Specified grant expenses	$ 4,934,729	$ 2,653,877
Restricted for time:		
Pledges receivable	1,011,427	5,744,284
Less: Allowance for uncollectible unconditional promises to give	(20,464)	(134,486)
Less: Discount on unconditional promises to give	(78,341)	(330,729)
	5,847,351	7,932,946
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
	$ 8,049,022	$ 10,134,617

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:

	2023	2022
Restricted for time and/or purpose:		
Specified grant expenses	$ 2,378,588	$ 897,357
Restricted for time:		
Pledges receivable	66,417	514,463
	2,445,005	1,411,820
Restricted-purpose spending-rate distributions and appropriations:		
General operations	351,504	(157,834)
	351,504	(157,834)
	$ 2,796,509	$ 1,253,986

NOTE N – 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, 2023

	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, 2023

	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 $14,036	-	210,364	210,364
Net appreciation (realized and unrealized)	-	141,140	141,140
	-	2,553,175	2,553,175
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(351,504)	(351,504)
Endowment net assets, end of year	$ -	$ 2,201,671	$ 2,201,671

NOTE N – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2022

	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, 2022

	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 $12,291	-	100,299	100,299
Net appreciation (realized and unrealized)	-	(258,133)	(258,133)
	-	2,043,837	2,043,837
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	157,834	157,834
Endowment net assets, end of year	$ -	$ 2,201,671	$ 2,201,671

	2023	2022
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 N – 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 65% equities and 35% fixed income. 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:

	2023	2022
Restricted endowment investment securities	$ 706,178	$ 706,178
Investments in loan portfolio	1,495,493	1,495,493
Total	$ 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, 2023 and 2022.

NOTE O – EMPLOYEE SAVINGS PLAN

DreamSpring sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with DreamSpring in the previous calendar year. DreamSpring will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2023 and 2022, as established by the Internal Revenue Service, were $15,500 and $14,000, respectively. For the years ended December 31, 2023 and 2022, DreamSpring's expense for the plan was $84,857 and $84,823, respectively.

NOTE P – 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, 2023.

SUPPLEMENTARY INFORMATION

DREAMSPRING AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor - Pass-Through Grantor - Program Title	Federal Assistance Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Treasury			
Community Development Financial Institutions Fund Program			
Financial Assistance - 221FA059954	21.020	-	$ 660,000
Financial Assistance - 22ERP061525	21.033	-	2,768,374
Total Department of Treasury			**3,428,374**
Department of Commerce			
Economic Development Cluster			
Economic Development Administration			
Expreso Loan Program			
Program - 08-79-05385	11.307	-	190,507
Total Department of Commerce			**190,507**
Total Expenditures of Federal Awards			**$ 3,618,881**

NOTES TO 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 $3,428,374 that was expended in the form of issuing small business loans receivable which are included in the small business loans receivable balance.

CliftonLarsonAllen LLP
CLAconnect.com

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, 2023, 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 26, 2024.

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 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 or significant deficiencies may exist that were not 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 26, 2024

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 identified as subject to audit 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, 2023. 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 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, 2023.

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 the 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 26, 2024

DREAMSPRING AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

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
21.033	Equitable Recovery 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

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

None

DREAMSPRING AND SUBSIDIARIES
IDENTIFICATION OF AUDIT PRINCIPAL
YEAR ENDED DECEMBER 31, 2023

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, 2023
Telephone Number:	(505) 842-8290
Federal Employee ID Number:	41-0746749

Global

INDEPENDENT
NETWORK MEMBER