

**DREAMSPRING AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**YEARS ENDED DECEMBER 31, 2025 AND 2024**



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**DREAMSPRING AND SUBSIDIARIES  
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## 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 consolidated financial statements of DreamSpring (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of DreamSpring and Subsidiaries as of December 31, 2025 and 2024, 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). 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 opinion.

#### ***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 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 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 financial statements.

In performing an audit in accordance with GAAS, 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
April 21, 2026

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**ASSETS**

	2025	2024
ASSETS		
Cash	\$ 29,928,472	\$ 30,844,663
Restricted cash	58,342	57,258
Short-term investments	2,230,050	-
Accrued interest on small business loans and other receivables	326,903	570,339
Contributions receivable, net of discounts and allowance for doubtful accounts of \$26,492 in 2025 and \$22,560 in 2024	1,119,008	1,068,187
Small business loans receivable, net	29,581,054	33,574,600
Derivative instrument	155,582	121,624
Prepaid expenses	194,851	213,801
Investment securities	875,991	775,419
Property, equipment and software, net	1,471,880	1,549,032
Land	451,072	451,072
Property held for sale	958	958
Total assets	\$ 66,394,163	\$ 69,226,953

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – CONTINUED**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**LIABILITIES AND NET ASSETS**

	2025	2024
<b>LIABILITIES</b>		
Accounts payable	\$ 68,163	\$ 147,016
Accrued payroll and payroll related liabilities	434,028	955,467
Third-party participation on small business loans	-	29,754
Advances and other accrued liabilities	659,355	1,061,901
Program advances	1,469,576	871,655
Unsecured lines-of-credit	2,898,721	3,765,388
Notes payable	8,964,785	11,153,195
Equity equivalent investments	13,297,187	13,625,000
Secured debt	3,838,851	3,498,796
Total liabilities	31,630,666	35,108,172
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	20,281,748	19,717,008
Noncontrolling interest in LLC companies	9,136,626	9,107,305
Total net assets without donor restrictions	29,418,374	28,824,313
With donor restrictions	5,345,123	5,294,468
Total net assets	34,763,497	34,118,781
Total liabilities and net assets	\$ 66,394,163	\$ 69,226,953

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Loan interest and fees	\$ 4,441,735	\$ 200,679	\$ 4,642,414
Contributions, net	2,069,179	171,618	2,240,797
Investment income, net	1,136,760	18,187	1,154,947
Other revenue	329,572	-	329,572
Federal awards	249,942	-	249,942
Net realized/unrealized gains on investments	-	84,579	84,579
SBA PPP lending fees, net	24,964	-	24,964
In-kind contributions	11,455	-	11,455
Gain on sale of assets	1,254	-	1,254
	<u>8,264,861</u>	<u>475,063</u>	<u>8,739,924</u>
Total revenue and support			
Net assets released from restrictions	424,408	(424,408)	-
<b>EXPENSES</b>			
Program services	6,970,342	-	6,970,342
Fundraising	464,561	-	464,561
Support	689,626	-	689,626
	<u>8,124,529</u>	<u>-</u>	<u>8,124,529</u>
Total expenses			
<b>CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES</b>			
	564,740	50,655	615,395
<b>CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES</b>			
Gain on LLC activity	208,051	-	208,051
Distributions	(178,730)	-	(178,730)
	<u>29,321</u>	<u>-</u>	<u>29,321</u>
Total changes in net assets from noncontrolling interest in LLC companies			
CHANGES IN NET ASSETS	594,061	50,655	644,716
Net assets, beginning of year	<u>28,824,313</u>	<u>5,294,468</u>	<u>34,118,781</u>
Net assets, end of year	<u>\$ 29,418,374</u>	<u>\$ 5,345,123</u>	<u>\$ 34,763,497</u>

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – CONTINUED**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Loan interest and fees	\$ 5,817,269	\$ 195,681	\$ 6,012,950
Contributions, net	2,067,743	702,742	2,770,485
Federal awards	2,272,566	-	2,272,566
In-kind contributions	46,522	-	46,522
Gain on sale of assets	1,700,947	-	1,700,947
Investment income, net	989,620	28,050	1,017,670
Other revenue	436,095	-	436,095
Net realized/unrealized gains on investments	-	90,854	90,854
SBA PPP lending fees, net	3,460	-	3,460
	<u>13,334,222</u>	<u>1,017,327</u>	<u>14,351,549</u>
Total revenue and support			
Net assets released from restrictions	3,771,881	(3,771,881)	-
<b>EXPENSES</b>			
Program services	12,371,975	-	12,371,975
Fundraising	837,034	-	837,034
Support	810,780	-	810,780
	<u>14,019,789</u>	<u>-</u>	<u>14,019,789</u>
Total expenses			
<b>CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONOPERATING ACTIVITIES AND NONCONTROLLING INTEREST IN LLC COMPANIES</b>			
	3,086,314	(2,754,554)	331,760
<b>CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES</b>			
Capital contributions	1,150,000	-	1,150,000
Gain on LLC activity	176,369	-	176,369
Distributions	(412,653)	-	(412,653)
	<u>913,716</u>	<u>-</u>	<u>913,716</u>
Total changes in net assets from noncontrolling interest in LLC companies			
CHANGES IN NET ASSETS	4,000,030	(2,754,554)	1,245,476
Net assets, beginning of year	<u>24,824,283</u>	<u>8,049,022</u>	<u>32,873,305</u>
Net assets, end of year	<u>\$ 28,824,313</u>	<u>\$ 5,294,468</u>	<u>\$ 34,118,781</u>

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2025			
	Program Services	Fundraising	Support	Total
Salaries	\$ 3,004,811	\$ 311,967	\$ 403,581	\$ 3,720,359
Provision for Credit Losses	1,231,069	-	-	1,231,069
Interest	1,050,751	-	-	1,050,751
Professional fees	462,037	32,544	124,577	619,158
Software fees and licensing	276,584	29,925	27,638	334,147
Employee benefits	213,293	22,145	28,648	264,086
Payroll taxes	196,031	20,352	26,329	242,712
Loan servicing expense	168,302	-	-	168,302
Occupancy	98,140	8,265	15,188	121,593
Depreciation and amortization	65,266	5,504	10,282	81,052
Marketing and development	53,385	12,667	-	66,052
Miscellaneous expense	20,268	2,254	38,397	60,919
Insurance	42,205	4,382	5,669	52,256
Telephone	32,235	2,935	4,777	39,947
Travel	24,376	8,712	1,603	34,691
Supplies	12,573	1,060	1,947	15,580
Conferences, meetings and trainings	12,880	1,168	990	15,038
Subscriptions and dues	3,847	427	-	4,274
Postage	2,289	254	-	2,543
	<u>\$ 6,970,342</u>	<u>\$ 464,561</u>	<u>\$ 689,626</u>	<u>\$ 8,124,529</u>
Total	<u>\$ 6,970,342</u>	<u>\$ 464,561</u>	<u>\$ 689,626</u>	<u>\$ 8,124,529</u>

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2024			
	Program Services	Fundraising	Support	Total
Provision for credit losses	\$ 5,387,090	\$ -	\$ -	\$ 5,387,090
Salaries	3,759,076	622,722	493,657	4,875,455
Interest	1,206,519	-	-	1,206,519
Professional fees	554,329	43,377	131,288	728,994
Software fees and licensing	283,645	28,417	33,832	345,894
Employee benefits	255,440	42,316	33,545	331,301
Payroll taxes	240,989	39,922	31,648	312,559
Loan servicing expense	183,774	-	-	183,774
Marketing and development	142,400	12,969	41	155,410
Occupancy	79,403	10,618	11,399	101,420
Depreciation and amortization	67,518	8,530	8,840	84,888
Telephone	57,935	9,213	7,761	74,909
Miscellaneous expense	21,783	4,395	39,190	65,368
Insurance	46,321	-	15,440	61,761
Travel	37,070	9,288	904	47,262
Supplies	21,798	1,211	1,211	24,220
Conferences, meetings and trainings	14,655	2,692	2,000	19,347
Subscriptions and dues	6,132	686	24	6,842
Postage	6,098	678	-	6,776
	<u>\$ 12,371,975</u>	<u>\$ 837,034</u>	<u>\$ 810,780</u>	<u>\$ 14,019,789</u>
Total	<u>\$ 12,371,975</u>	<u>\$ 837,034</u>	<u>\$ 810,780</u>	<u>\$ 14,019,789</u>

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Small business loan payments received	\$ 4,996,238	\$ 6,562,539
Contributions received	2,189,976	2,614,920
Federal awards received	847,863	2,400,334
Other cash receipts	1,154,947	1,017,670
Payments for salaries, benefits and payroll taxes	(4,655,103)	(4,919,197)
Payments to vendors	(2,069,365)	(2,178,385)
Interest paid	(1,029,638)	(1,110,473)
	1,434,918	4,387,408
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	177,841	1,513,404
Purchases of short-term investments and investment securities	(2,414,038)	(725,085)
Purchase of property, equipment and software	(3,900)	(100,309)
Proceeds from sale of property	-	2,253,090
Investment in small business loans	(8,077,707)	(12,453,710)
Repayments and recoveries of small business loans	11,176,601	16,123,058
Proceeds from sale of small business loans	21,117	2,427,944
	879,914	9,038,392
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from secured debt	1,307,205	1,605,632
Repayment of secured debt	(967,150)	(1,578,337)
Repayment of unsecured notes payable	(2,524,597)	(2,079,297)
Repayments of unsecured lines-of-credit, net	(866,667)	(2,333,333)
Proceeds from LLC Investment, net	-	1,150,000
Distributions to noncontrolling interests in consolidated LLC companies	(178,730)	(412,653)
	(3,229,939)	(3,647,988)
<b>NET (DECREASE) INCREASE IN CASH</b>	(915,107)	9,777,812
Cash, beginning of year	30,901,921	21,124,109
Cash, end of year	\$ 29,986,814	\$ 30,901,921

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Changes in net assets from operations	\$ 615,395	\$ 331,760
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) on investments	(84,579)	(90,854)
LLC activity	208,051	176,369
Depreciation	81,052	84,889
Noncash debt forgiveness	-	(21,143)
Amortization of note payable closing fee	8,374	8,521
Provision for credit losses	1,231,069	5,387,090
Amortization of deferred loan fees, net	(505,078)	(458,766)
Gain on sale of assets	(1,254)	(1,700,947)
Present value discount and amortization on contributions receivable	(3,582)	(78,341)
Uncollectible contribution expense	(600)	2,096
Donated stock	(9,846)	(24,914)
Change in fair value of derivative instrument	(33,958)	(42,523)
(Increases) decreases in operating assets:		
Accrued interest and other receivables	243,436	38,811
Contributions receivable	(46,639)	(79,320)
Federal grants receivable	-	362,740
Prepaid expenses	18,950	(22,507)
Increases (decreases) in operating liabilities:		
Accounts payable	(78,853)	(106,027)
Accrued payroll and payroll related liabilities	(521,439)	600,116
Program advances	597,921	(234,972)
Other accrued liabilities and third party participation on small business loans	(283,502)	255,330
	\$ 1,434,918	\$ 4,387,408
Net cash provided by operating activities		
<b>SUPPLEMENTAL DATA</b>		
In-kind revenues and expenses	\$ 11,455	\$ 46,522

See accompanying Notes to Consolidated Financial Statements.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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 (SBA). As an approved lender, DreamSpring is required to maintain a loan loss reserve bank account of a minimum of .2% 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, 2025 and 2024, the unguaranteed CA loan portfolio was \$1,831,996 and \$1,644,281 respectively, and the required loan loss reserve account was \$11,714 at both December 31, 2025 and 2024. 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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	DreamSpring 2024H, LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	August 2017	December 2024	
Dissolution date	December 2028	December 2031	December 2026	December 2026	April 2034	December 2027	December 2034	
Balance at December 31, 2023	\$ 1,206,287	\$ 250,029	\$ 255,001	\$ 3,059,985	\$ 2,397,000	\$ 1,025,287	\$ -	\$ 8,193,589
Contributions	-	-	-	-	150,000	-	1,000,000	\$ 1,150,000
Return of Capital	-	-	-	-	(250,000)	-	-	\$ (250,000)
Distributions	(24,000)	-	(5,000)	(60,000)	(48,653)	(25,000)	-	\$ (162,653)
Net income	24,000	-	5,000	60,000	45,661	39,659	2,049	\$ 176,369
Balance at December 31, 2024	1,206,287	250,029	255,001	3,059,985	2,294,008	1,039,946	1,002,049	9,107,305
Distributions	(30,067)	-	(5,000)	(60,000)	(44,008)	(39,655)	-	(178,730)
Net income	24,067	-	5,000	60,000	45,001	43,983	30,000	208,051
Balance at December 31, 2025	<u>\$ 1,200,287</u>	<u>\$ 250,029</u>	<u>\$ 255,001</u>	<u>\$ 3,059,985</u>	<u>\$ 2,295,001</u>	<u>\$ 1,044,274</u>	<u>\$ 1,032,049</u>	<u>\$ 9,136,626</u>

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, 2025 and 2024. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, 2014E LLC, 2017G LLC and 2024H LLC all pass-through taxable entities, had no material taxable income in 2025 or 2024.

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, 2025 and 2024. 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 2022.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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, 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 cash held in money market accounts and certificates of deposit (CDs) held with brokerage firms. Cash at December 31, 2025 is \$29,928,472 and restricted cash is \$58,342 for a total of \$29,986,814 for statement of cash flow purposes. Cash at December 31, 2024 was \$30,844,663 and restricted cash was \$57,258 for a total of \$30,901,921 for statement of cash flow purposes.

5. Concentrations of Risk

DreamSpring manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by DreamSpring to be creditworthy. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and Securities Investor Protection Corporation (SIPC) up to \$500,000, per depositor, per insured bank, for each account ownership category. As December 31, 2025 and 2024, DreamSpring had approximately \$26,334,536 and \$25,833,284 respectively, in excess of FDIC insurance limits. To date, DreamSpring has not experienced losses in any of these accounts. 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. During 2025, the states with the largest lending volume for DreamSpring were New Mexico, Texas, Colorado, California, Florida, and Georgia. DreamSpring considers these locations as geographic concentrations potentially subject to risk.

6. Short-term Investments

Short-term Investments consist of 6-month CD's held with high quality brokerage firms and financial institutions. These investments carry fixed interest rates and are intended to be held to maturity. As of December 31, 2025 and 2024, the carrying amount of these CD's was \$2,230,050 and \$0, respectively and approximates their fair value. The CD's are fully insured by the FDIC up to \$250,000, per insured bank.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

7. 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.

8. Accounts and Microenterprise and Small Business Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses on loans, any deferred fees or costs on originated loans, and premiums or discounts on purchased loans. Upon acquisition, purchased loans are recorded at their purchase price with the purchase or discount becoming part of the initial amortized cost basis. Purchased loans are acquired through negotiated transactions and are intended to be held for investment as part of DreamSpring's loan portfolio.

Interest income is accrued on the unpaid principal balance. 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.

DreamSpring 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 at 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

**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.

**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.

Accrual of interest on a loan is discontinued when the loan is considered delinquent. A loan is considered delinquent when 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Allowance for Credit Losses on Loans

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. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate.

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.

DreamSpring uses the weighted average remaining maturity (WARM) method in determining expected future credit losses for each of the loan categories except some 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Allowance for Credit Losses on Loans – Continued

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 2020 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 utilizes 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Allowance for Credit Losses on Loans – 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.

9. 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.

10. Property, Equipment and Software

Property, equipment and software are stated at cost. DreamSpring capitalizes all acquisitions greater than \$2,500. 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 expense for the years ended December 31, 2025 and 2024, was \$81,052 and \$84,888, respectively.

11. 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, 2025 and 2024.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

11. 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.

12. 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, 2025 and 2024, DreamSpring received and recognized \$11,455 and \$46,522, 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.

13. 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:

	<u>2025</u>	<u>2024</u>
Program services	\$ 48,168	\$ 116,572
Fundraising	12,667	12,964
Support	-	42
	<u>60,835</u>	<u>129,578</u>
Total joint costs	<u>\$ 60,835</u>	<u>\$ 129,578</u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

14. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$64,625 and \$152,379 for the years ended December 31, 2025 and 2024, respectively, and are included in marketing and development expenses.

15. Subsequent Events

Subsequent events have been evaluated through 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, 2025. 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, 2025 and 2024, to meet operating and lending liquidity needs during each respective year:

	2025	2024
Total non-restricted cash	\$ 29,928,472	\$ 30,844,663
Short-term investments	2,230,050	-
Less: net assets with donor restrictions	(3,143,452)	(3,092,797)
Interest and other receivables	326,903	570,339
Contribution receivables expected to be received in subsequent year	1,070,500	1,090,747
Small business loans receivable estimated to be collected in one year	9,214,000	9,442,000
Less: Unfunded commitments to customers on lines-of-credit	(444,345)	(565,026)
	\$ 39,182,128	\$ 38,289,926

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. Short-term investments consist of 6-month CDs available for liquidity upon maturity.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE C – INVESTMENTS**

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

	2025		
	Fair Value	Cost	Unrealized Gains
Equity securities	\$ 553,906	\$ 394,154	\$ 159,752
Mutual funds	70,156	63,250	6,906
Municipal bonds	101,120	98,957	2,163
Government and agency securities	47,778	47,029	749
Corporate bonds	103,031	101,011	2,020
Total	<u>\$ 875,991</u>	<u>\$ 704,402</u>	<u>\$ 171,589</u>

	2024		
	Fair Value	Cost	Unrealized Gains (Losses)
Equity securities	\$ 491,452	\$ 385,746	\$ 105,706
Mutual funds	56,124	56,581	(457)
Municipal bonds	87,900	88,801	(901)
Government and agency securities	50,236	50,791	(555)
Corporate bonds	89,707	91,133	(1,426)
Total	<u>\$ 775,419</u>	<u>\$ 673,052</u>	<u>\$ 102,367</u>

Investment returns consist of the following at December 31:

	2025	2024
Interest and dividends	\$ 1,166,942	\$ 1,034,544
Investment fees	<u>(11,995)</u>	<u>(16,874)</u>
	<u>\$ 1,154,947</u>	<u>\$ 1,017,670</u>
	2025	2024
Realized gains	\$ 15,016	\$ 179,589
Unrealized gains (losses)	<u>69,563</u>	<u>(88,735)</u>
	<u>\$ 84,579</u>	<u>\$ 90,854</u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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, 2025 and 2024, are expected to occur as follows:

	<u>2025</u>	<u>2024</u>
In less than one year	\$ 1,070,500	\$ 1,090,747
In one to five years	<u>75,000</u>	<u>-</u>
	1,145,500	1,090,747
Less: Allowance for doubtful accounts	(22,910)	(22,560)
Less: Discount to net present value	<u>(3,582)</u>	<u>-</u>
	<u>\$ 1,119,008</u>	<u>\$ 1,068,187</u>

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

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE E – SMALL BUSINESS LOANS RECEIVABLE**

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

	<u>2025</u>	<u>2024</u>
Small business term & line-of-credit loans	\$ 11,250,744	\$ 14,908,880
Commercial Real Estate	4,452,657	4,103,071
SBA 7(a)	8,899,857	7,432,176
Loans originated and serviced through partnerships	3,889,354	5,217,794
SBA Guarantees purchased	6,502,197	9,296,465
SBA PPP loans	<u>36,724</u>	<u>184,348</u>
Total	35,031,533	41,142,734
Add: Premiums on loans purchased	289,761	650,584
Less: Allowance for credit losses	(4,801,009)	(6,788,422)
Less: Deferred closing fee, net	(911,725)	(1,377,826)
Less: PPP deferred fee, net	<u>(27,506)</u>	<u>(52,470)</u>
	<u>\$ 29,581,054</u>	<u>\$ 33,574,600</u>

DreamSpring elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2025, and 2024, accrued interest receivable for loans totaled \$276,205 and \$427,709 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. There were no purchases in 2025 or 2024. Premiums of \$1,763,546 are being amortized as an offset to interest revenue over a 60 month period. There is no allowance for credit loss recorded for these loans as they are 100% guaranteed by the SBA.

During 2025, DreamSpring entered into loan participations with an unrelated entity. DreamSpring owns 70% of the loans totaling \$1,384,786. DreamSpring does not service the loans.

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 \$2,352,288 and \$5,382,954 at December 31, 2025 and 2024, 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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, 2025 and 2024, respectively, are as follows.

December 31, 2025	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a)	Loans originated and serviced through partnerships	SBA PPP loans	Total
Allowance for Credit Losses:						
Beginning Year Balance:	\$ 5,981,173	\$ 20,619	\$ 287,464	\$ 490,537	\$ 8,629	\$ 6,788,422
Provision for Credit Losses	723,050	(5,488)	195,411	476,437	(9,542)	1,379,868
Loans Charged-Off	(3,310,424)	-	(2,337)	(468,270)	(413)	(3,781,444)
Recoveries of Loans Previously Charged-Off	366,733	(83)	21,299	15,948	10,266	414,163
Balance at End of Year	<u>\$ 3,760,532</u>	<u>\$ 15,048</u>	<u>\$ 501,837</u>	<u>\$ 514,652</u>	<u>\$ 8,940</u>	<u>\$ 4,801,009</u>
December 31, 2024	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a)	Loans originated and serviced through partnerships	SBA PPP loans	Total
Allowance for Credit Losses:						
Beginning Year Balance:	\$ 9,650,595	\$ 14,375	\$ 149,330	\$ 877,055	\$ 17,331	\$ 10,708,686
Provision for Credit Losses	5,582,381	(77,816)	136,631	194,520	(2,484)	\$ 5,833,232
Loans Charged-Off	(9,527,557)	-	-	(581,038)	(6,218)	\$ (10,114,813)
Recoveries of Loans Previously Charged-Off	275,754	84,060	1,503	-	-	\$ 361,317
Balance at End of Year	<u>\$ 5,981,173</u>	<u>\$ 20,619</u>	<u>\$ 287,464</u>	<u>\$ 490,537</u>	<u>\$ 8,629</u>	<u>\$ 6,788,422</u>

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 was \$72,124 and \$220,922 as of December 31, 2025 and 2024, respectively.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED**

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. The components of the provision for credit losses included in the consolidated statements of activities and changes in net assets for the years ended December 31, are as follows:

	2025	2024
Loans	\$ 1,379,868	\$ 5,833,232
Unfunded Commitments	(148,799)	(446,142)
Total Provision for Credit Losses	\$ 1,231,069	\$ 5,387,090

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

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. For the commercial real estate loans, the allowance for credit losses was \$15,048 and \$20,620 at December 31, 2025 and 2024 respectively and the outstanding loan balance for commercial real estate was \$4,452,657 and \$4,103,071 at December 31, 2025 and 2024 respectively.

Collateral dependent commercial real estate loans are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals. Collateral dependent loans other than commercial real estate loans are not considered material.

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 \$178,412 and \$243,568 in 2025 and 2024, respectively, were covered by this agreement resulting in the lender taking losses of approximately \$35,507 and \$37,014 in 2025 and 2024, 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED**

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

		December 31, 2025						
	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	
Current	\$ 9,754,733	\$ 4,452,657	\$ 8,318,811	\$ 3,730,171	\$ 6,502,197	\$ 25,817	\$ 32,784,386	
1-30 Days	692,241	-	52,584	126,751	-	3,929	875,505	
<u>Past due and non accrual:</u>								
31-60 Days	249,593	-	-	-	-	-	249,593	
61-90 Days	213,085	-	-	32,432	-	1,411	246,928	
91-120 Days	165,697	-	181,190	-	-	-	346,887	
120-180 Days	175,397	-	172,450	-	-	5,566	353,413	
>180 Days	-	-	174,821	-	-	-	174,821	
Total past due and non accrual	<u>803,772</u>	<u>-</u>	<u>528,461</u>	<u>32,432</u>	<u>-</u>	<u>6,977</u>	<u>1,371,642</u>	
Small business loans receivable	11,250,746	4,452,657	8,899,856	3,889,354	6,502,197	36,723	35,031,533	
Add: Loan Premiums	-	-	-	-	289,761	-	289,761	
Less: Allowance for Credit Losses	(3,760,532)	(15,048)	(501,837)	(514,652)	-	(8,940)	(4,801,009)	
Less: Unamortized Loan Fees	<u>(840,420)</u>	<u>(53,865)</u>	<u>(12,117)</u>	<u>(5,323)</u>	<u>-</u>	<u>(27,506)</u>	<u>(939,231)</u>	
Total small business loans receivable	<u>\$ 6,649,794</u>	<u>\$ 4,383,744</u>	<u>\$ 8,385,902</u>	<u>\$ 3,369,379</u>	<u>\$ 6,791,958</u>	<u>\$ 277</u>	<u>\$ 29,581,054</u>	
		December 31, 2024						
	Small Business Term and Line-of Credit Loans	Commercial Real Estate	SBA 7(a)	Loans serviced by Funding Circle	SBA guarantees purchased	SBA PPP Loans	Total	
Current	\$ 12,093,441	\$ 4,103,071	\$ 7,239,071	\$ 4,868,515	\$ 9,296,465	\$ 159,529	\$ 37,760,092	
1-30 Days	1,053,000	-	102,475	125,091	-	12,019	1,292,585	
<u>Past due and non accrual:</u>								
31-60 Days	321,000	-	-	-	-	2,173	323,173	
61-90 Days	302,379	-	-	67,053	-	1,298	370,730	
91-120 Days	578,456	-	-	24,821	-	9,329	612,606	
120-180 Days	560,604	-	-	132,314	-	-	692,918	
>180 Days	-	-	90,630.00	-	-	-	90,630	
Total past due and non accrual	<u>1,762,439</u>	<u>-</u>	<u>90,630</u>	<u>224,188</u>	<u>-</u>	<u>12,800</u>	<u>2,090,057</u>	
Small business loans receivable	14,908,880	4,103,071	7,432,176	5,217,794	9,296,465	184,348	41,142,734	
Add: Loan Premiums	-	-	-	-	650,584	-	650,584	
Less: Allowance for Credit Losses	(5,980,918)	(20,620)	(287,464)	(490,791)	-	(8,629)	(6,788,422)	
Less: Unamortized Loan Fees	<u>(1,366,532)</u>	<u>-</u>	<u>(1,045)</u>	<u>(10,249)</u>	<u>-</u>	<u>(52,470)</u>	<u>(1,430,296)</u>	
Total small business loans receivable	<u>\$ 7,561,430</u>	<u>\$ 4,082,451</u>	<u>\$ 7,143,667</u>	<u>\$ 4,716,754</u>	<u>\$ 9,947,049</u>	<u>\$ 123,249</u>	<u>\$ 33,574,600</u>	

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE E – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED**

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, 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 years ended December 31:

Small business term & line-of- credit loans	Type of Concession		Total
	Term Extensions	Term Extension and Interest Rate Reduction	
Year ending December 31, 2025	\$ 10,343	\$ 87,782	\$ 98,125
Year ending December 31, 2024	\$ 58,122	\$ -	\$ 58,122

The following table presents the loan modifications made to borrowers experiencing financial difficulty that defaulted (within 12-months of making the modification) during the year ended December 31, 2025 and 2024, respectively:

Small business term & line-of- credit loans	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted		Total
	Term Extensions	Term Extension and Interest Rate Reduction	
Year ending December 31, 2025	\$ 35,075	\$ -	\$ 35,075
Year ending December 31, 2024	\$ 34,536	\$ 38,222	\$ 72,758

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

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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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 \$155,582 and \$121,624 as of December 31, 2025 and 2024, respectively, is recorded as an asset on the accompanying consolidated statements of financial position.

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

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

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balances of \$3,838,851 and \$3,498,796 as of December 31, 2025 and 2024, respectively. The remaining interest earned on the participation loans is retained by DreamSpring. Interest expense on the secured debt was \$106,521 and \$123,770 for the years ended December 31, 2025 and 2024, 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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE G – PROPERTY, EQUIPMENT AND SOFTWARE**

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

	<u>2025</u>	<u>2024</u>
Building	\$ 2,381,788	\$ 2,377,888
Computer equipment and software	774,141	774,141
Furniture and office equipment	<u>288,974</u>	<u>288,974</u>
	3,444,903	3,441,003
Less accumulated depreciation	<u>(1,973,023)</u>	<u>(1,891,971)</u>
Total	<u>\$ 1,471,880</u>	<u>\$ 1,549,032</u>
Land	<u>\$ 451,072</u>	<u>\$ 451,072</u>

**NOTE H – PROGRAM ADVANCES**

During 2024, DreamSpring was awarded and received a \$250,000 conditional grant. \$83,333 in revenues and expenses related to this grant were recognized during 2024 and the remaining \$166,667 in revenues and expenses was recognized during 2025.

DreamSpring was awarded a \$500,000 conditional grant in 2024 and received \$250,000 in 2024. \$222,222 in revenues and expenses related to this grant were recognized in 2025 and \$27,778 is recorded as a program advance at December 31, 2025.

During 2024, DreamSpring was awarded two federal awards with the US Small Business Administration Congressional Earmarks Initiative through the Department of Commerce totaling \$507,000. All funds were advanced to DreamSpring and \$83,261 in revenue and expenses related to this grant were recognized during 2024. \$249,942 in revenue and expenses related to this grant were recognized as of December 31, 2025. The remaining \$173,797 is recorded as a program advance as of December 31, 2025.

In 2024, DreamSpring was awarded \$1,000,000 under a conditional grant that was fully recognized during 2025 as the conditions of the grant were met. The same funder awarded another \$500,000 grant on December 16, 2025 all of which is recorded as a program advance at December 31, 2025.

In 2025, DreamSpring received \$500,000 and \$250,000 both under conditional grants that are recorded as a program advance at December 31, 2025.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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	
					2025	2024
First National, a division of Sunflower Bank N.A.	\$ 2,499,421	4.65%	June 2026	Yes	\$ 2,499,421	\$ 2,499,421
United Business Bank	\$ 1,000,000	3.50%	October 2027	Yes	-	-
First Citizens Bank & Trust Company	\$ 1,000,000	2.00%	April 2025	Yes	-	666,667
BMO	\$ 600,000	2.00%	Full payment with written termination	Yes	<u>399,300</u>	<u>599,300</u>
					<u>\$ 2,898,721</u>	<u>\$ 3,765,388</u>

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

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE J – NOTES PAYABLE**

Notes Payable consist of the following at December 31:

	2025	2024
<b>Notes Payable</b>		
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 CNote Group, due as follows: \$1,070,844 due February 2028, 4.8% interest per annum. \$114,446 due January 2026, and \$565,000 due February 2026, 4% interest per annum.	1,750,290	1,679,446
Note payable with Woodforest Bank, net of issuance costs full payment due September 2026, 5.25% interest per annum	744,416	1,486,041
Subordinated note payable with First National Bank of Nebraska, due April 2025, 1% interest per annum.	-	999,139
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 Energize Gap Colorado Fund December 2026, 0% interest per annum.	285,000	285,000
Note payable with Albuquerque Community Foundation, due July 2025, 2% interest per annum	-	250,000
Note payable with Kellogg Foundation, \$200,000 due June 2025, 1% interest per annum.	-	200,000
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

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE J – NOTES PAYABLE – CONTINUED**

	2025	2024
Note payable with Women's Foundation of Colorado, full payment due December 2029, 2% interest per annum.	\$ 50,000	\$ 50,000
Note payable with Valero Payment Services Company, an affiliate of DSRM National Bank, full payment due April 2026 2% interest per annum.	20,000	20,000
Total notes payable	8,949,706	11,069,626
<b>Notes payable for PPP lending</b>		
Note payable with federal reserve under the Paycheck Protection Program (PPP), due when underlying PPP loans mature or are forgiven, .35% interest per annum.	9,099	53,796
Note Payable with PNC Bank, due March 2026, 1% interest per annum.	5,980	29,773
Total notes payable for PPP lending	15,079	83,569
Total	\$ 8,964,785	\$ 11,153,195

Notes payable are unsecured, except for the note payable with federal reserve which is secured by the underlying PPP loans receivable. At December 31, 2025, future principal repayments are as follows:

Year Ending December 31,	
2026	\$ 1,743,940
2027	1,070,844
2028	2,816,667
2029	1,666,667
2030	1,666,667
Thereafter	\$ 8,964,785

DreamSpring incurred \$736,093 and \$906,262 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2025 and 2024, respectively.

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, 2025, DreamSpring was in compliance with all such requirements or had received an approved waiver where applicable.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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:

	<u>2025</u>	<u>2024</u>
Equity Equivalent Investment with Zion's Bank, due May 2033, 2% interest per annum.	\$ 5,000,000	\$ 5,000,000
Equity Equivalent Investment with Wells Fargo, quarterly payments due starting September 2026 through June 2028, 2% interest per annum.	2,425,000	2,425,000
Equity Equivalent Investment with PNC Bank, due November 2026, 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
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, quarterly payments due starting December 2027 through September 2029, 2% interest per annum.	1,000,000	1,000,000

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

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

	2025	2024
Equity Equivalent Investment with Wells Fargo, quarterly payments due starting April 2024 through December 2025, 2% interest per annum.	\$ -	\$ 200,000
Equity Equivalent Investment with Wells Fargo, quarterly payments due starting January 2025 through September 2026, 2% interest per annum.	122,187	250,000
Equity Equivalent Investment with Dallas Development Fund, full payment due August 2029, 1% interest per annum.	250,000	250,000
	\$ 13,297,187	\$ 13,625,000

**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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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, 2024 through 2025.

*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.

*Short-term investments:* represents certificates of deposit that are estimated using discounted cash flow models based on observable market interest rates for instruments with similar maturities.

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.

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED**

Fair values of assets measured are as follows:

***Assets at Fair Value as of December 31, 2025***

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Intermediate term	\$ -	\$ 47,778	\$ -	\$ 47,778
Corporate bonds				
Short-term		43,513		43,513
Intermediate term	-	44,032	-	44,032
Long-term	-	15,486	-	15,486
Equity securities:				
Financials	107,635	-	-	107,635
Information Technology	93,049	-	-	93,049
Industrials	73,566	-	-	73,566
Real Estate	70,999	-	-	70,999
Health Care	49,540	-	-	49,540
Consumer Discretionary	45,457	-	-	45,457
Communication Services	28,724	-	-	28,724
Consumer Staples	27,606	-	-	27,606
Materials	22,587	-	-	22,587
Utilities	19,007	-	-	19,007
Energy	15,736	-	-	15,736
Municipal Bonds				-
Short-term	-	30,714	-	30,714
Intermediate term	-	41,011	-	41,011
Long-term	-	29,395	-	29,395
Mutual funds:				
Equities Blend	70,156	-	-	70,156
Short term investments	-	2,230,050	-	2,230,050
Embedded derivative instrument	-	-	155,582	155,582
<b>Total assets at fair value</b>	<b>\$ 624,062</b>	<b>\$ 2,481,979</b>	<b>\$ 155,582</b>	<b>\$ 3,261,623</b>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED**

*Assets at Fair Value as of December 31, 2024*

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Short-term	\$ -	\$ 19,657	\$ -	\$ 19,657
Intermediate term	-	24,894	-	24,894
Long-term	-	5,685	-	5,685
Corporate bonds				
Short-term		24,641		24,641
Intermediate term	-	45,862	-	45,862
Long-term	-	19,204	-	19,204
Equity securities:				
Financials	86,285	-	-	86,285
Information Technology	81,864	-	-	81,864
Real Estate	64,838	-	-	64,838
Industrials	56,633	-	-	56,633
Health Care	47,715	-	-	47,715
Consumer Discretionary	43,787	-	-	43,787
Consumer Staples	33,820	-	-	33,820
Communication Services	27,174	-	-	27,174
Materials	18,188	-	-	18,188
Energy	16,778	-	-	16,778
Utilities	14,370	-	-	14,370
Municipal Bonds				
Short-term	-	29,701	-	29,701
Intermediate term	-	30,430	-	30,430
Long-term	-	27,769	-	27,769
Mutual funds:				
Equities Blend	56,124	-	-	56,124
Embedded derivative instrument	-	-	121,624	121,624
<b>Total assets at fair value</b>	<b>\$ 547,576</b>	<b>\$ 227,843</b>	<b>\$ 121,624</b>	<b>\$ 897,043</b>

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, 2025:

	Instrument
Balance, beginning of year	\$ 121,624
Change in fair value	33,958
Balance, end of year	<u>\$ 155,582</u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**NOTE M – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2025</u>	<u>2024</u>
Restricted for purpose:		
Specified grant expenses	\$ 3,024,611	\$ 2,024,610
Restricted for time:		
Pledges receivable	145,333	1,090,747
Less: Allowance for uncollectible unconditional promises to give	(22,910)	(22,560)
Less: Discount on unconditional promises to give	<u>(3,582)</u>	<u>-</u>
	<u>3,143,452</u>	<u>3,092,797</u>
Endowments:		
Subject to DreamSpring's endowment spending policy and appropriation:		
Loan portfolio	1,495,493	1,495,493
General operations	<u>706,178</u>	<u>706,178</u>
Total endowments	<u>2,201,671</u>	<u>2,201,671</u>
	<u><u>\$ 5,345,123</u></u>	<u><u>\$ 5,294,468</u></u>

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:

	<u>2025</u>	<u>2024</u>
Restricted for time and/or purpose:		
Specified grant expenses	\$ -	\$ 2,910,119
Restricted for time:		
Pledges receivable	<u>120,963</u>	<u>547,177</u>
	<u>120,963</u>	<u>3,457,296</u>
Restricted-purpose spending-rate distributions and appropriations:		
General operations	<u>303,445</u>	<u>314,585</u>
	<u>303,445</u>	<u>314,585</u>
	<u><u>\$ 424,408</u></u>	<u><u>\$ 3,771,881</u></u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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, 2025***

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 2,201,671	\$ 2,201,671
Total funds	<u>\$ -</u>	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>

***Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2025***

	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 \$7,099	-	218,866	218,866
Net appreciation (realized and unrealized)	-	84,579	84,579
	-	2,505,116	2,505,116
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(303,445)	(303,445)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE N – ENDOWMENT FUNDS – CONTINUED**

1. Interpretation of Relevant Law – Continued

***Endowment Net Asset Composition by Type of Fund as of December 31, 2024***

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 2,201,671	\$ 2,201,671
Total funds	<u>\$ -</u>	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>

***Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024***

	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	-	223,731	223,731
Net appreciation (realized and unrealized)	-	90,854	90,854
	-	2,516,256	2,516,256
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(314,585)	(314,585)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>

	2025	2024
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	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>
Total endowment restricted net assets	<u>\$ 2,201,671</u>	<u>\$ 2,201,671</u>

**DREAMSPRING AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025 AND 2024**

**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:

	2025	2024	
Restricted endowment investment securities	\$ 706,178	\$ 706,178	
Investments in loan portfolio	1,495,493	1,495,493	
	\$ 2,201,671	\$ 2,201,671	

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires DreamSpring to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2025 and 2024.

**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, 2025 and 2024, as established by the Internal Revenue Service, were \$16,500 and \$16,000, respectively. For the years ended December 31, 2025 and 2024, DreamSpring’s expense for the plan was \$82,699 and \$79,282, 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, 2025.



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