DREAMSPRING AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024 AND 2023

DREAMSPRING AND SUBSIDIARIES
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DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 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 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.

Board of Directors
DreamSpring and Subsidiaries

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 23, 2025, 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 23, 2025

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS

	2024	2023
ASSETS		
Cash	$ 30,844,663	$ 21,033,186
Restricted cash	57,258	90,923
Accrued interest on small business loans and other receivables	570,339	609,150
Contributions receivable, net of discounts and allowance for doubtful accounts of $22,560 in 2024 and $98,805 in 2023	1,068,187	912,622
Federal Grants receivable	-	362,740
Small business loans receivable, net	33,442,722	44,582,689
Small business PPP loans receivable, net	131,878	463,666
Derivative instrument	121,624	79,101
Prepaid expenses	213,801	191,294
Investment securities	775,419	1,447,970
Property, equipment and software, net	1,549,032	1,533,613
Land	451,072	1,003,216
Property held for sale	958	958
Total assets	$ 69,226,953	$ 72,311,128

See accompanying Notes to Consolidated Financial Statements.

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

LIABILITIES AND NET ASSETS

	2024	2023
LIABILITIES		
Accounts payable	$ 147,017	$ 253,044
Accrued payroll and payroll related liabilities	955,467	355,351
Third-party participation on small business loans	29,754	-
Advances and other accrued liabilities	1,061,901	1,282,465
Program advances	871,655	1,106,627
Unsecured lines-of-credit	3,765,388	6,098,721
Notes payable for PPP lending	83,569	216,626
Notes payable	11,069,626	12,828,488
Equity equivalent investments	13,625,000	13,825,000
Secured debt	3,498,796	3,471,501
Total liabilities	35,108,172	39,437,823
NET ASSETS		
Without donor restrictions:		
Undesignated	19,717,008	16,630,694
Noncontrolling interest in LLC companies	9,107,305	8,193,589
Total net assets without donor restrictions	28,824,313	24,824,283
With donor restrictions	5,294,468	8,049,022
Total net assets	34,118,781	32,873,305
Total liabilities and net assets	$ 69,226,953	$ 72,311,128

See accompanying Notes to Consolidated Financial Statements.

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
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
Total revenue and support	13,334,222	1,017,327	14,351,549
Net assets released from restrictions	3,771,881	(3,771,881)	-
EXPENSES			
Program services	12,371,975	-	12,371,975
Fundraising	837,034	-	837,034
Support	810,780	-	810,780
Total expenses	14,019,789	-	14,019,789
CHANGES IN NET ASSETS FROM OPERATIONS AND NONOPERATING ACTIVITIES BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	3,086,314	(2,754,554)	331,760
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES			
Capital contributions	1,150,000	-	1,150,000
Gain on LLC activity	176,369	-	176,369
Distributions	(412,653)	-	(412,653)
Total changes in net assets from noncontrolling interest in LLC companies	913,716	-	913,716
CHANGES IN NET ASSETS	4,000,030	(2,754,554)	1,245,476
Net assets, beginning of year	24,824,283	8,049,022	32,873,305
Net assets, end of year	$ 28,824,313	$ 5,294,468	$ 34,118,781

See accompanying Notes to Consolidated Financial Statements.

DREAMSPRING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – CONTINUED
YEAR 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	10,088	-	10,088
Contributions, net	1,135,878	359,410	1,495,288
Net realized/unrealized gains on investments	-	141,140	141,140
Investment income, net	201,939	32,252	234,191
SBA PPP lending fees, net	944,639	-	944,639
Other revenue	237,485	-	237,485
Total revenue and support	13,979,900	710,914	14,690,814
Net assets released from restrictions	2,796,509	(2,796,509)	-
EXPENSES			
Program services	20,921,643	-	20,921,643
Fundraising	947,888	-	947,888
Support	992,838	-	992,838
Total expenses	22,862,369	-	22,862,369
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONOPERATING ACTIVITIES AND 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 standard	(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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31,

	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
Total	$ 12,371,975	$ 837,034	$ 810,780	$ 14,019,789

See accompanying Notes to Consolidated Financial Statements.

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

	2023			
	Program Services	Fundraising	Support	Total
Provision for credit losses	$ 11,344,885	$ -	$ -	$ 11,344,885
Salaries	4,115,342	664,419	567,167	5,346,928
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	$ 20,921,643	$ 947,888	$ 992,838	$ 22,862,369

See accompanying Notes to Consolidated Financial Statements.

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Small business loan payments received	$ 6,562,539	$ (619,182)
Contributions received	2,614,920	5,861,735
Federal awards received	2,400,334	4,035,002
Other cash receipts	1,017,670	234,193
Payments for salaries, benefits and payroll taxes	(4,919,197)	(6,412,438)
Payments to vendors	(2,178,385)	(5,030,568)
Interest paid	(1,110,473)	(1,309,231)
Net cash provided (used) by operating activities	4,387,408	(3,240,489)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,513,404	397,441
Purchase of investments	(725,085)	(406,920)
Purchase of property, equipment and software	(100,309)	(10,407)
Proceeds from sale of property	2,253,090	-
Investment in small business loans	(12,453,710)	(26,875,811)
Repayments and recoveries of small business loans	16,123,058	22,043,829
Proceeds from sale of small business loans	2,427,944	5,226,072
Net cash provided by investing activities	9,038,392	374,204
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	1,605,632	1,436,633
Repayment of secured debt	(1,578,337)	(1,453,643)
Proceeds from unsecured notes payable	-	8,154,319
Repayment of unsecured notes payable	(2,079,297)	(9,823,021)
Repayments of unsecured lines-of-credit, net	(2,333,333)	(1,279)
Proceeds from LLC Investment, net	1,150,000	-
Distributions to noncontrolling interests in consolidated LLC companies	(412,653)	(154,933)
Net cash used in financing activities	(3,647,988)	(1,841,924)
NET INCREASE(DECREASE) IN CASH	9,777,812	(4,708,209)
Cash, beginning of year	21,124,109	25,832,318
Cash, end of year	$ 30,901,921	$ 21,124,109

See accompanying Notes to Consolidated Financial Statements.

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

	2024	2023
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 331,760	$ (8,171,555)
Adjustments to reconcile changes in net assets to net cash provided(used) by operating activities		
Net realized and unrealized (gains) on investments	(90,833)	(141,140)
LLC activity	176,369	161,021
Depreciation and amortization	84,889	114,080
Noncash debt forgiveness	(21,143)	-
Amortization of note payable closing fee	8,521	3,107
Provision for credit losses	5,387,090	11,344,885
Amortization of deferred loan fees, net	(458,766)	(958,882)
Gain on sale of assets	(1,700,947)	-
Present value discount and amortization on contributions receivable	(78,341)	(252,388)
Uncollectible contribution expense	2,096	(94,022)
Donated stock	(24,935)	(36,002)
Change in fair value of derivative instrument	(42,523)	(27,581)
(Increases) decreases in operating assets:		
Accrued interest and other receivables	38,811	38,831
Contributions receivable	(79,320)	4,712,858
Federal grants receivable	362,740	(362,740)
Prepaid expenses	(22,507)	23,829
Property held for sale	-	-
Increases (decreases) in operating liabilities:		
Accounts payable	(106,027)	26,526
Accrued payroll	600,116	(344,261)
Program advances	(234,972)	606,627
Other accrued liabilities and third party participation on small business loans	255,330	(9,883,682)
	$ 4,387,408	$ (3,240,489)

SUPPLEMENTAL DATA

	2024	2023
In-kind revenues and expenses	$ 46,522	$ 10,088

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 .6% 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, 2024 and 2023, the unguaranteed CA loan portfolio was $1,644,281 and $613,839, respectively, and the required loan loss reserve account was $11,714 and $51,000 at December 31, 2024 and 2023, respectively. 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	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, 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
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

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, 2024 and 2023. 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 2024 or 2023.

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, 2024 and 2023. 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 2021.

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 (CD) held with brokerage firms. Cash at December 31, 2024 is $30,844,663 and restricted cash is $57,258 for a total of $30,901,921 for statement of cash flow purposes. Cash at December 31, 2023 was $21,033,186 and restricted cash was $90,923 for a total of $21,124,109 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, New Mexico, Texas, Colorado, California, Arizona, and North Carolina. DreamSpring considers these locations as geographic concentrations potentially subject to risk.

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

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.

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 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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 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 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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.

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. 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, 2024 and 2023, was $84,889 and 114,080, 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, 2024 and 2023.

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, 2024 and 2023, DreamSpring received and recognized $46,522 and $10,088, 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.

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:

	2024	2023
Program services	$ 116,572	$ 119,766
Fundraising	12,964	13,307
Support	42	-
Total joint costs	$ 129,578	$ 133,073

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $152,379 and $575,360 for the years ended December 31, 2024 and 2023, respectively, and are included in marketing and development expenses.

14. 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, 2024. Management does not believe any subsequent events have occurred that would require accrual or disclosure in these accompanying consolidated financial statements, except as disclosed in Note H.

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, 2024 and 2023, to meet operating and lending liquidity needs during each respective year:

	2024	2023
Total non-restricted cash	$ 30,844,663	$ 21,033,186
Less: net assets with donor restrictions	(3,092,797)	(5,847,351)
Less: non-operating PPP receipts	-	(43,824)
Interest and other receivables	570,339	609,150
Contribution receivables expected to be received in subsequent year	1,090,747	1,011,427
Federal award receivables expected to be received in subsequent year	-	362,740
Small business loans receivable estimated to be collected in one year	9,442,000	13,248,000
Less: Unfunded commitments to customers on lines-of-credit	(565,026)	(3,316,123)
	$ 38,289,926	$ 27,057,205

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:

	2024		
	Fair Value	Cost	Unrealized Gain (Loss)
Equity securities	$ 493,758	$ 385,746	$ 108,012
Mutual funds	56,124	56,581	(457)
Municipal bonds	86,674	88,801	(2,127)
Government and agency securities	49,911	50,791	(880)
Corporate bonds	88,952	91,133	(2,181)
Total	$ 775,419	$ 673,052	$ 102,367

	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

Investment returns consist of the following at December 31:

	2024	2023
Interest and dividends	$ 1,034,544	$ 248,227
Investment fees	(16,874)	(14,036)
	$ 1,017,670	$ 234,191

	2024	2023
Realized gains	$ 179,589	$ 24,889
Unrealized (losses) gains	(88,735)	116,241
	$ 90,854	$ 141,130

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, 2024 and 2023, are expected to occur as follows:

	2024	2023
In less than one year	$ 1,090,747	$ 11,427
In one to five years	-	1,000,000
	1,090,747	1,011,427
Less: Allowance for doubtful accounts	(22,560)	(20,464)
Less: Discount to net present value	-	(78,341)
	$ 1,068,187	$ 912,622

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 $1,359,752 and $1,069,339 in expenses incurred in 2024 and 2023, respectively.

NOTE E – SMALL BUSINESS LOANS RECEIVABLE

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

	2024	2023
Small business term & line-of-credit loans	$ 14,908,880	$ 28,020,823
Commercial Real Estate	4,103,071	2,778,254
SBA 7(a) and other guaranteed loans	7,432,176	2,965,078
Loans originated and serviced through partnerships	5,217,794	8,261,827
SBA Guarantees purchased	9,296,465	13,866,537
SBA PPP loans	184,348	519,596
Total	41,142,734	56,412,115
Add: Premiums on loans purchased	650,584	1,228,871
Less: Credit loss allowance	(6,788,422)	(10,708,686)
Less: Deferred closing fees, net	(1,377,826)	(1,830,015)
Less: PPP deferred fees, net	(52,470)	(55,930)
	$ 33,574,600	$ 45,046,355

DreamSpring elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2024, and 2023, accrued interest receivable for loans totaled $427,709 and $452,483 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 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 2024 and 2023, DreamSpring purchased and originated loans of $0 and $423,166, respectively, with an unrelated entity.

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 $5,382,954 and $8,245,773 at December 31, 2024 and 2023, 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, 2024 and 2023, respectively, are as follows.

December 31, 2024	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:	$ 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	$ 5,981,173	$ 20,620	$ 287,464	$ 490,537	$ -	$ 8,629	$ 6,788,422

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

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 $220,922 and $667,064 as of December 31, 2024 and 2023, respectively.

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:

	2024	2023
Loans	$ 5,833,232	$ 11,054,911
Unfunded Commitments	(446,142)	289,974
Total Provision for Credit Losses	$ 5,387,090	$ 11,344,885

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. 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 $20,620 and $14,375 at December 31, 2024 and 2023 respectively and the outstanding loan balance for commercial real estate was $4,103,071 and $2,778,254 at December 31, 2024 and 2023 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 $243,568 and $280,221 in 2024 and 2023, respectively, were covered by this agreement resulting in the lender taking losses of approximately $37,014 and $32,585 in 2024 and 2023, 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, 2024						
	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	$ 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
Past due and non accrual:							
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	-	-	-	90,630
Total past due and non accrual	1,762,439	-	90,630	224,188	-	12,800	2,090,057
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: Loan loss reserve allowance	(5,980,918)	(20,620)	(287,464)	(490,791)	-	(8,629)	(6,788,422)
Less: Unamortized Loan Fees	(1,366,532)	-	(1,045)	(10,249)	-	(52,470)	(1,430,296)
Total small business loans receivable	$ 7,561,430	$ 4,082,451	$ 7,143,667	$ 4,716,754	$ 9,947,049	$ 123,249	$ 33,574,600

	December 31, 2023						
	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	$ 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

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:

	Type of Concession		
December 31, 2024	Term Extensions	Term Extension and Interest Rate Reduction	Total
Small business term & line-of-credit loans	$ 58,122	$ -	$ 58,122

	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, 2024 and 2023, respectively:

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

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted 2023		
	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.

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.

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 $121,624 and $79,101 as of December 31, 2024 and 2023, 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 $3,498,796 and $3,471,501 as of December 31, 2024 and 2023, respectively. The remaining interest earned on the participation loans is retained by DreamSpring. Interest expense on the secured debt was $123,770 and $97,754 for the years ended December 31, 2024 and 2023, 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:

	2024	2023
Building	$ 2,377,888	$ 2,277,579
Computer equipment and software	774,141	774,141
Furniture and office equipment	288,974	288,974
	3,441,003	3,340,694
Less accumulated depreciation	(1,891,971)	(1,807,081)
Total	$ 1,549,032	$ 1,533,613
Land	$ 451,072	$ 1,003,216

During 2024, DreamSpring sold vacant land that was owned but not utilized for business operations. As such, the carrying value of the land sold was reduced upon the closing of the transaction.

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 was recognized in 2024.

During 2023, DreamSpring was awarded and received a $750,000 conditional grant. All revenues and expenses related to this grant were recognized during 2024. 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 was recorded as a program advance as of December 31,2023. During 2024 the remaining $1,957,678 was received and $2,189,304 in revenues and expenses related to this grant were recognized.

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 is recorded as a program advance at December 31, 2024. Additionally, DreamSpring was awarded a $500,000 conditional grant and received $250,000 in 2024. No revenues or expenses related to this grant were recognized in 2024 and the remaining $250,000 is recorded as a program advance at December 31, 2024.

NOTE H – PROGRAM ADVANCES – CONTINUED

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 as of December 31, 2024. The remaining $423,739 is recorded as a program advance as of December 31,2024.

Subsequent to December 31, 2024, DreamSpring received an additional $1,000,000 under a conditional grant dated December 27, 2024 that will be recognized in 2025 as the conditions of the grant are met.

NOTE I – UNSECURED LINES-OF-CREDIT OUTSTANDING

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

		Interest	Maturity	Restrictive	Outstanding Balance	
Financial Institution	Limit	Rate	Date	Covenants	2024	2023
First National, a division of Sunflower Bank N.A.	$ 2,499,421	4.95%	June 2025	Yes	$ 2,499,421	$ 4,499,421
First Citizens Bank & Trust Company	1,000,000	2.00%	April 2025	Yes	666,667	1,000,000
Bank of the West	600,000	2.00%	Full payment with written termination	Yes	599,300	599,300
					$ 3,765,388	$ 6,098,721

First National, a division of Sunflower Bank had two active agreements at December 31, 2023 which were consolidated into one agreement during 2024 and included changes in terms and the limit. The balance for both lines for 2023 are consolidated in the presentation above. These lines were for $2,999,677 at an interest rate of 6.11% and for $1,499,744 at an interest rate of 5.74%.

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:

	2024	2023
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, $1,500,000 due September 2024, 3% interest per annum	-	1,499,855
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	1,679,446
Note payable with Woodforest Bank, net of issuance costs; $750,000 is due in March 2025, and the remainder is to be paid September 2026, 5.25% interest per annum	1,486,041	1,477,665
Subordinated note payable with First National Bank of Nebraska, due April 2025, 1% interest per annum.	999,139	999,139
Note payable with Kellogg Foundation, $200,000 due June 30, 2025, 1% interest per annum.	200,000	400,000
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 J – NOTES PAYABLE – CONTINUED

	2024	2023
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
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
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	11,069,626	12,828,488

NOTE J – NOTES PAYABLE – CONTINUED

	2024	2023
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.	$ 53,796	$ 161,396
Note Payable with PNC Bank, due March 2026, 1% interest per annum.	29,773	55,230
Total notes payable for PPP lending	83,569	216,626
Total	$ 11,153,195	$ 13,045,114

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

At December 31, 2024, future principal repayments are as follows:

Year Ending December 31,	
2025	$ 3,210,438
2026	1,792,757
2027	-
2028	-
2029	2,816,667
Thereafter	3,333,333
	$ 11,153,195

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 $1,068,068 and $1,182,810 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2024 and 2023, respectively. During 2024, DreamSpring reevaluated it’s policy concerning imputed interest on it’s outstanding loans and determined that given that DreamSpring’s primary mission is to provide credit and business support analogous to a financial institution, that current accounting standards do not require that such lending activities by a financial institution impute interest. As a result of this change, the 2023 financial statements have also been adjusted to reflect this policy change by eliminating $1,844,418 of in-kind revenues and a corresponding equal amount of in-kind expenses from these consolidated financial statements. The change did not result in any revisions to DreamSpring’s assets, liabilities, net assets or changes in net assets for 2023.

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, 2024, DreamSpring was in compliance with all such requirements or had received an approved waiver where applicable.

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:

	2024	2023
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, $606,250 due in 2026, $1,212,500 due in 2027, $606,250 due in 2028, 2% interest per annum.	2,425,000	2,425,000
Equity Equivalent Investment with Compass 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

	2024	2023
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.	200,000	400,000
Equity Equivalent Investment with Wells Fargo, quarterly payments due starting January 2025 through 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
	$ 13,625,000	$ 13,825,000

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, 2023 through 2024.

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, 2024

	Level 1	Level 2	Level 3	Total
Government and agency securities				
Short-term	$ -	$ 19,657	$ -	$ 19,657
Intermediate term	-	19,111	-	19,111
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
Equities Blend	56,124	-	-	56,124
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:				
Mortgage/Asset Backed	-	5,783	-	5,783
Embedded derivative instrument	-	-	121,624	121,624
Total assets at fair value	$ 547,576	$ 227,843	$ 121,624	$ 897,043

NOTE L – FAIR VALUE MEASUREMENTS – CONTINUED

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

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, 2024:

	Embedded Derivative Instrument
Balance, beginning of year	$ 79,101
Change in fair value	42,523
Balance, end of year	$ 121,624

NOTE M – NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Restricted for purpose:		
Specified grant expenses	$ 2,024,610	$ 4,934,729
Restricted for time:		
Pledges receivable	1,090,747	1,011,427
Less: Allowance for uncollectible unconditional promises to give	(22,560)	(20,464)
Less: Discount on unconditional promises to give	-	(78,341)
	3,092,797	5,847,351
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
	$ 5,294,468	$ 8,049,022

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:

	2024	2023
Restricted for time and/or purpose:		
Specified grant expenses	$ 2,910,119	$ 2,378,588
Restricted for time:		
Pledges receivable	547,177	66,417
	3,457,296	2,445,005
Restricted-purpose spending-rate distributions and appropriations:		
General operations	314,585	351,504
	314,585	351,504
	$ 3,771,881	$ 2,796,509

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, 2024

	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, 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 $10,652	-	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	$ -	$ 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, 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

	2024	2023
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:

	2024	2023
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, 2024 and 2023.

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, 2024 and 2023, as established by the Internal Revenue Service, were $16,000 and $15,500, respectively. For the years ended December 31, 2024 and 2023, DreamSpring's expense for the plan was $79,282 and $84,857, 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, 2024.

SUPPLEMENTARY INFORMATION

DREAMSPRING AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2024

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 - 22ERP061525	21.033	-	$ 2,189,305
Total Department of Treasury			**2,189,305**
Department of Commerce			
U.S. Small Business Administration			
Congressional Earmarks Initiative Program - SBAHQ2410042	59.059	-	83,261
Total Department of Commerce			**83,261**
Total Expenditures of Federal Awards			**$ 2,272,566**

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 $2,189,305 that was expended in the form of issuing small business loans receivable which are included in the small business loans receivable balance.

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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, 2024, and the related consolidated statements of activities and changes in net asserts, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2025.

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.

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 23, 2025

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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, 2024. 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, 2024.

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.

Board of Directors
DreamSpring and Subsidiaries

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 23, 2025

DREAMSPRING AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2024

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, 2024

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, 2024
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