

DOLPHIN SCHOLARSHIP FOUNDATION

FINANCIAL STATEMENTS

June 30, 2023

**With Comparative Totals for the
Year Ended June 30, 2022**



DOLPHIN SCHOLARSHIP FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dolphin Scholarship Foundation
Virginia Beach, Virginia

Opinion

We have audited the accompanying financial statements of Dolphin Scholarship Foundation (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dolphin Scholarship Foundation as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dolphin Scholarship Foundation and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Dolphin Scholarship Foundation's 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 Dolphin Scholarship Foundation's 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.

Report on Summarized Comparative Information

We have previously audited Dolphin Scholarship Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter PLLC

Chesapeake, VA
October 13, 2023

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

ASSETS		2023	2022
CURRENT ASSETS:			
Cash and cash equivalents		\$ 182,371	\$ 222,505
Investments		7,278,212	6,487,739
Accrued investment income		9,000	7,984
Accounts receivables		4,000	3,500
Contributions receivables - current portion		69,946	-
Inventory		-	2,659
Prepaid expenses		1,236	1,236
Total current assets		<u>\$ 7,544,765</u>	<u>\$ 6,725,623</u>
FURNITURE AND EQUIPMENT:			
Furniture and equipment		\$ 34,203	\$ 30,136
Less accumulated depreciation		<u>23,216</u>	<u>21,710</u>
Net furniture and equipment		<u>\$ 10,987</u>	<u>\$ 8,426</u>
OTHER ASSETS:			
Operating lease right-of-use asset		\$ 33,975	\$ -
Contributions receivables - long-term		52,750	-
Security deposit		950	950
Total other assets		<u>\$ 87,675</u>	<u>\$ 950</u>
TOTAL ASSETS		<u><u>\$ 7,643,427</u></u>	<u><u>\$ 6,734,999</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 4,398	\$ 1,188
Payroll taxes withheld and accrued expenses		3,030	2,646
Current portion of right-of-use operating lease liability		16,116	-
Deferred revenue		<u>20,891</u>	<u>23,794</u>
Total current liabilities		<u>\$ 44,435</u>	<u>\$ 27,628</u>
LONG-TERM LIABILITIES:			
Right-of-use operating lease liability, net of current portion		<u>\$ 17,859</u>	<u>\$ -</u>
Total liabilities		<u>\$ 62,294</u>	<u>\$ 27,628</u>
NET ASSETS:			
Without donor restrictions:			
Available for operations		\$ 524,592	\$ 468,450
Board designated funds		5,580,837	5,077,537
Total without donor restrictions		<u>\$ 6,105,429</u>	<u>\$ 5,545,987</u>
With donor restrictions		1,475,704	1,161,384
Total net assets		<u>\$ 7,581,133</u>	<u>\$ 6,707,371</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 7,643,427</u></u>	<u><u>\$ 6,734,999</u></u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF ACTIVITIES

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	\$ 465,425	\$ 221,046	\$ 686,471	\$ 493,112
In-kind contributions	-	-	-	565
Special events, net of expenses \$22,766 and \$24,016 respectively	60,624	-	60,624	81,693
Net assets released from restrictions	43,850	(43,850)	-	-
	<u>569,899</u>	<u>177,196</u>	<u>747,095</u>	<u>575,370</u>
Total operating revenue and support	\$ 569,899	\$ 177,196	\$ 747,095	\$ 575,370
OPERATING EXPENSES:				
Program services	\$ 565,325	\$ -	\$ 565,325	\$ 483,024
Management and general	34,926	-	34,926	36,355
Fundraising	17,797	-	17,797	42,542
	<u>618,048</u>	<u>-</u>	<u>618,048</u>	<u>561,921</u>
Total operating expenses	\$ 618,048	\$ -	\$ 618,048	\$ 561,921
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ (48,149)</u>	<u>\$ 177,196</u>	<u>\$ 129,047</u>	<u>\$ 13,449</u>
NON-OPERATING ACTIVITIES:				
Investment income, net of expenses \$17,596 and \$18,069 respectively	\$ 126,232	\$ 28,552	\$ 154,784	\$ 114,893
Realized gain (loss) on investments	(64,045)	-	(64,045)	359,815
Unrealized gain (loss) on investments	545,404	108,572	653,976	(755,475)
	<u>607,591</u>	<u>137,124</u>	<u>744,715</u>	<u>(280,767)</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>\$ 607,591</u>	<u>\$ 137,124</u>	<u>\$ 744,715</u>	<u>\$ (280,767)</u>
CHANGE IN NET ASSETS	<u>\$ 559,442</u>	<u>\$ 314,320</u>	<u>\$ 873,762</u>	<u>\$ (267,318)</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,545,987</u>	<u>1,161,384</u>	<u>6,707,371</u>	<u>6,974,689</u>
NET ASSETS, END OF YEAR	<u><u>\$ 6,105,429</u></u>	<u><u>\$ 1,475,704</u></u>	<u><u>\$ 7,581,133</u></u>	<u><u>\$ 6,707,371</u></u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

	SUPPORTING ACTIVITIES				2023 Total	2022 Total
	Program Services	Management and General	Fundraising	Supporting Subtotal		
Salaries and wages	\$ 112,906	\$ 21,170	\$ 7,057	\$ 28,227	\$ 141,133	\$ 118,121
Payroll taxes	8,583	1,609	536	2,145	10,728	8,968
Total salaries and related expenses	\$ 121,489	\$ 22,779	\$ 7,593	\$ 30,372	\$ 151,861	\$ 127,089
Scholarship awards, net of refunds	403,159	-	-	-	403,159	380,250
Occupancy expense	15,802	2,963	988	3,951	19,753	17,688
Technology and website	8,266	1,772	1,772	3,544	11,810	10,847
Professional fees	3,986	854	854	1,708	5,694	4,602
Equipment rental and maintenance	-	4,435	283	4,718	4,718	4,389
Telephone	2,649	568	568	1,136	3,785	3,879
Office expense	1,824	-	1,825	1,825	3,649	3,041
Insurance	2,200	471	471	942	3,142	3,092
Bank fees	-	-	2,271	2,271	2,271	2,083
Postage	544	561	649	1,210	1,754	1,855
Conferences and meetings	1,067	229	229	458	1,525	374
Depreciation	1,054	226	226	452	1,506	510
Registration fees	1,449	-	-	-	1,449	809
Travel	640	-	-	-	640	-
Security	319	68	68	136	455	455
Miscellaneous expense	449	-	-	-	449	44
Marketing	428	-	-	-	428	914
Total expenses	\$ 565,325	\$ 34,926	\$ 17,797	\$ 52,723	\$ 618,048	\$ 561,921

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

DOLPHIN SCHOLARSHIP FOUNDATION

STATEMENT OF CASH FLOWS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 873,762	\$ (267,318)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,506	510
Donated investments included in contributions	(10,120)	(10,209)
Net realized and unrealized (gain) loss on investments	(589,931)	395,660
(Increase) decrease in assets:		
Accrued investment income	(1,016)	(2,183)
Accounts receivable	(500)	(3,500)
Contributions receivables	(122,696)	-
Inventory	2,659	2,741
Prepaid expenses	-	449
Increase (decrease) in liabilities:		
Accounts payable	3,209	(479)
Payroll taxes withheld and accrued expenses	384	345
Deferred revenue	(2,903)	3,909
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 154,354</u>	<u>\$ 119,925</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	\$ (4,067)	\$ (8,936)
Proceeds from sale of investments	284,650	276,600
Purchases of investments	<u>(475,071)</u>	<u>(320,806)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (194,488)</u>	<u>\$ (53,142)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (40,134)	\$ 66,783
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>222,505</u>	<u>155,722</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 182,371</u></u>	<u><u>\$ 222,505</u></u>

SUPPLEMENTAL DATA FOR NONCASH ACTIVITIES:

Donated investments	<u>\$ 10,120</u>	<u>\$ 10,209</u>
Fair value of in-kind donations	<u>\$ -</u>	<u>\$ 1,465</u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 1 - ORGANIZATION:

The Dolphin Scholarship Foundation (the "Foundation") is a non-profit organization established to ease the financial burden of undergraduate and vocational education for eligible members of the U.S. Submarine Force and their dependents. These personnel must have served actively for a minimum of eight years in the submarine fleet or actively for a minimum of ten years in a support group to the submarine fleet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

These two groups are defined as follows:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

Contributions

Unconditional promises (pledges) are recognized when the donor makes a pledge to give to the Foundation and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Donated Services

The Foundation recognizes in-kind contributions as revenue and expense in the period in which they are received. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method.

Furniture and Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. It is the Foundation's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Gains and losses arising from retirements or dispositions are recognized in the period incurred.

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$1,506 and \$510, respectively.

Income Taxes

Dolphin Scholarship Foundation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt Foundation as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Foundation has no obligation for any unrelated business income tax. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Foundation's federal return of Organization Exempt from Income Tax (Form 990) for 2023, 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

The Foundation receives most of its public support from individuals, corporate donations, and from profits of Dolphin stores and other fund-raising activities controlled by various submarine officers' spouses' clubs. Profits from Dolphin stores are remitted to the Dolphin Scholarship Foundation.

Advertising Costs

The Foundation expenses the cost of advertising when incurred. Advertising costs amounted to \$428 and \$914 for the years ended June 30, 2023 and 2022, respectively.

Lease Accounting

The Foundation determines whether to account for its leases as operating, capital or financing leases depending on the underlying terms of the lease agreement. This determination of classification is complex and requires significant judgment relating to certain information, including the estimated fair value and remaining economic life of the leased assets, minimum lease payments, and other lease terms.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market funds maintained with investment portfolios are included with investments. Unrealized gains and losses are reported as changes in net assets in accompanying statements of activities. Realized gains and losses on investment transactions are determined on an average cost basis.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense:

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

Method of Allocation:

Time and effort
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied
Reasonable basis consistently applied

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 3 - LIQUIDITY:

The table below presents financial assets available for general expenditures within one year at June 30, 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 182,371	\$ 222,505
Accounts receivable	4,000	3,500
Contributions receivables - current portion	69,946	-
Investments	7,278,212	6,487,739
Total financial assets	<u>\$ 7,534,529</u>	<u>\$ 6,713,744</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ (1,475,704)	\$ (1,161,384)
Board designated net assets	(5,580,837)	(5,077,537)
Financial assets not available to be used within one year	<u>\$ (7,056,541)</u>	<u>\$ (6,238,921)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 477,988</u>	<u>\$ 474,823</u>

The Foundation receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 4 - FAIR VALUE MEASUREMENTS:

FASB (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Common stock, corporate bonds, and U.S. Government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2023 and 2022.

Assets at Fair Value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 617,959	\$ -	\$ -	\$ 617,959
U.S. Government obligations	961,601	-	-	961,601
Corporate bonds	1,042,335	-	-	1,042,335
Corporate stocks	4,656,317	-	-	4,656,317
Total investments	<u>\$ 7,278,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,278,212</u>

Assets at Fair Value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 726,312	\$ -	\$ -	\$ 726,312
U.S. Government obligations	609,425	-	-	609,425
Corporate bonds	922,822	-	-	922,822
Corporate stocks	4,229,180	-	-	4,229,180
Total investments	<u>\$ 6,487,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,487,739</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023			
Interest and dividends, net of expenses \$17,596	\$ 126,232	\$ 28,552	\$ 154,784
Realized and unrealized gains (losses)	481,359	108,572	589,931
Total investment return	<u>\$ 607,591</u>	<u>\$ 137,124</u>	<u>\$ 744,715</u>
June 30, 2022			
Interest and dividends, net of expenses \$18,069	\$ 96,758	\$ 18,135	\$ 114,893
Realized and unrealized gains (losses)	(333,799)	(61,861)	(395,660)
Total investment return	<u>\$ (237,041)</u>	<u>\$ (43,726)</u>	<u>\$ (280,767)</u>

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

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

The Board of Directors believes that to achieve the greatest likelihood of meeting investment objectives and the best balance between risk and return for optimal diversification, the Foundation allocates assets in accordance with the target and allowance variation for each class as stated below:

Asset Classes	Target Allocation	Allowable Range
Fixed income - U.S.	29%	20 - 40%
Equity - U.S.	70%	60 - 80%
Cash	1%	1 - 5%

Consistent with the Dolphin Foundation Spending Policy, it is anticipated that up to 8% of the value of the Fund will be disbursed annually, normally in July or November of each year. Therefore, at least 10% of the Fund will be invested in instruments that can be quickly converted to cash with no significant adverse changes in value as a result of the liquidation.

NOTE 5 - NET ASSETS:

The composition of endowment net assets with donor restrictions at June 30, 2023 and 2022 are as follows:

	2023	2022
Specific purpose:		
Laura W. Bush Scholarship	\$ 476,647	\$ 446,029
Nautilus Educational Assistance Fund	139,716	136,769
USS Hampton Scholarship	69,952	67,126
USS Washington Scholarship	80,059	71,845
USS Colorado Scholarship	136,279	124,946
USS Indiana Scholarship	160,470	138,395
USS Delaware Scholarship	97,066	87,103
USS Delaware (SSN791) Scholarship	99,370	89,171
USS Oregon Scholarship	93,449	-
	<u>\$ 1,353,008</u>	<u>\$ 1,161,384</u>
Time restricted	122,696	-
Total funds classified as net assets with donor restrictions	<u><u>\$ 1,475,704</u></u>	<u><u>\$ 1,161,384</u></u>

Endowment net assets with donor restrictions are invested by the Foundation in accordance with rules and investment policies of the Foundation adopted by the Board of Directors.

Net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2023 and 2022:

	2023	2022
Net assets released from restrictions:		
Scholarships issued	<u><u>\$ 43,850</u></u>	<u><u>\$ 35,800</u></u>

At such time as it is determined by the board of Directors of the Foundation that there are no longer any individuals eligible to receive scholarships from the donor restricted funds, the programs will be discontinued. Any funds remaining therein will become part of the unrestricted assets of the Foundation and will be distributed as scholarships as part of the general scholarship program.

DOLPHIN SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

With Comparative Totals for the Year Ended June 30, 2022

NOTE 6 - OPERATING LEASE COMMITMENT:

On April 27, 2020, the lease with unrelated party has been modified effective September 1, 2020 to run until August 31, 2025. Rent on the lease is \$1,235 monthly for the first year and increases 3% each year after that. Rent expense was \$15,154 and \$15,637, for the years ended June 30, 2023 and 2022, respectively.

Undiscounted cash flows due:

June 30, 2024	\$	16,116
June 30, 2025		16,599
June 30, 2026		<u>2,780</u>
Total undiscounted cash flows	\$	35,495
Impact of present value discount		<u>(1,520)</u>
Amount reported on balance sheet	\$	<u><u>33,975</u></u>
Weighted-average lease term (years)		2.2
Weighted-average discount rate		4.2%

NOTE 7 - CONCENTRATION OF RISK:

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and temporary cash investments. The Foundation places its cash and temporary cash investments with high credit quality depositories.

Financial instruments which potentially subject the Foundation to credit risk principally consist of temporary cash investments and securities. To minimize this risk, the Foundation places their cash and securities with high credit quality financial institutions insured by the FDIC and SIPC. Cash and cash equivalents are secured by the FDIC up to a standard maximum deposit insurance amount of \$250,000 per bank per entity for interest and non-interest bearing accounts. Securities are protected by the SIPC, which currently protects brokerage accounts of each entity up to \$500,000. As of June 30, 2023 and 2022, the Foundation did not have demand deposits on hand in financial institutions that exceeded the FDIC limits. As of June 30, 2023 and 2022, the Foundation had securities in excess of protected SIPC amounts of \$6,528,212 and \$5,395,811, respectively.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS:

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842) , which requires the recognition of a right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization’s lease obligations with the terms exceeding twelve months. The Organization adopted ASU 2016-02 and its related amendments as of July 1, 2022, which resulted in the recognition of operating right-of-use asset totaling \$33,975, as well as operating lease liabilities totaling \$33,975. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by the Organization can be found in Note 2 and the additional lease disclosures can be found in Note 6. There was no cumulative effect adjustment to the opening balance of retained earnings required.

NOTE 9 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 13, 2023, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through October 13, 2023 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.