

THE DREAM PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION (UNAUDITED) DECEMBER 31, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 85,305
Temporarily restricted contributions receivable	12,158
Accounts receivable	<u>3,692</u>
Total current assets	<u>101,155</u>

OTHER CURRENT ASSETS:

Inventories for sale	3,857
Total inventories for sale	<u>3,857</u>

LONG-TERM ASSETS:

Equipment	13,000
Land	100,000
Accumulated depreciation	<u>(2,348)</u>
Total property and equipment, net	<u>110,652</u>

Cash restricted for college accounts	275
Other temporarily restricted assets	<u>46,121</u>
Total long-term assets	<u>160,905</u>

TOTAL ASSETS \$ 262,060

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$ -
Accounts payable	<u>3,660</u>
Total current liabilities	<u>3,660</u>

Total liabilities 3,660

NET ASSETS:

Net assets, beginning of year	311,318
Opening Balance equity	2,138
Unrestricted net income	(69,114) *
Cost of Goods Sold	(632)
Temporarily restricted net income	<u>14,690</u>
Total net assets	<u>258,400</u>

TOTAL LIABILITIES AND NET ASSETS \$ 262,060

See notes to financial statements, including *explanation for net loss.

THE DREAM PROGRAM, INC.

STATEMENT OF ACTIVITIES (UNAUDITED) YEAR ENDED DECEMBER 31, 2005

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Government	\$ -	\$ 59,185	\$ 59,185
Foundations	12,950	70,107	83,057
Companies	1,687	7,000	8,687
Organizations	3,647	500	4,147
Individuals	29,369	690	30,059
Fees	57,500	-	57,500
Investment income	716	-	716
Sales to public	2,660	-	2,660
Fundraising events	15,854	-	15,854
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>122,792</u>	<u>(122,792)</u>	<u>-</u>
Total revenues	<u>247,174</u>	<u>14,690</u>	<u>261,864</u>
FUNCTIONAL EXPENSES:			
Program Services:			
School-year programs	105,909	-	105,909
Summer programs	45,368	-	45,368
Camp DREAM	<u>113,654</u>	<u>-</u>	<u>113,654</u>
Total program services	<u>264,931</u>	<u>-</u>	<u>264,931</u>
Supporting Services:			
General and administrative	32,991	-	32,991
Fundraising	<u>18,367</u>	<u>-</u>	<u>18,367</u>
Total supporting services	<u>51,357</u>	<u>-</u>	<u>51,357</u>
Total functional expenses	<u>316,288</u>	<u>-</u>	<u>316,288</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	(69,114)	14,690	(54,425)
NET ASSETS, BEGINNING OF YEAR	<u>111,065</u>	<u>200,253</u>	<u>311,318</u>
NET ASSETS, END OF YEAR	<u>\$ 41,951</u>	<u>\$ 214,943</u>	<u>\$ 256,893</u>

See notes to financial statements.

THE DREAM PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2005

	Program Services				Supporting Services			Total Expenses
	School-Year Programs	Summer Programs	Camp DREAM	Total	General and Administrative	Fundraising	Total	
FUNCTIONAL EXPENSES:								
Salaries and related expenses	\$ 35,924	\$ 33,239	\$ 20,532	\$ 89,695	\$ 9,170	\$ 13,756	\$ 22,926	\$ 112,621
Payroll taxes	2,602	2,407	1,487	6,496	664	996	1,660	8,156
Health insurance	2,014	1,863	1,151	5,029	514	771	1,285	6,314
Housing stipends	6,300	-	7,850	14,150	4,830	1,813	6,643	20,793
Other benefits	296	-	-	296	3,606	-	3,606	3,902
Staff development	194	-	2,970	3,164	477	95	572	3,736
Staff recruitment	-	-	50	50	-	-	-	50
Legal	39	-	-	39	468	-	468	507
Accounting and payroll	-	-	-	-	1,252	-	1,252	1,252
Engineering and design	-	-	8,115	8,115	-	-	-	8,115
Other professional services	3	-	31,385 *	31,388	-	-	-	31,388
Office and occupancy	-	-	495	495	600	-	600	1,095
Phone, fax, and internet	8	-	245	253	785	-	785	1,039
Website	70	-	-	70	260	-	260	330
Technology	-	-	-	-	808	-	808	808
Marketing	388	-	-	388	-	-	-	388
Risk management	8,683	-	378	9,061	1,755	-	1,755	10,816
Evaluation	5,575	-	-	5,575	-	-	-	5,575
Supplies	2,872	417.91	11,942	15,231	698	14	713	15,944
Food	6,605	2,017	4,812	13,434	690	-	690	14,124
Postage	156	6	168	330	555	254	809	1,139
Printing and duplication	-	-	100	100	545	-	545	645
Building materials	-	-	10,429 *	10,429	-	-	-	10,429
Activities	4,979	1,773	133	6,885	17	-	17	6,902
Travel and transportation	18,561	1,586	2,937	23,083	47	114	162	23,245
Lodging	-	-	-	-	320	-	320	320
DREAM gear purchases	2,968	-	446	3,414	140	424	564	3,978
Program fundraising expenses	-	-	-	-	3,556	128	3,684	3,684
Dues and subscriptions	118	-	132	250	415	-	415	665
Interest and fees	-	-	2,762	2,762	206	-	206	2,968
Taxes	-	-	2,160	2,160	(155)	-	(155)	2,004
Depreciation	1,100	-	698	1,798	-	-	-	1,798
Vehicles	6,456	2,059	2,278	10,793	766	-	766	11,560
TOTAL FUNCTIONAL EXPENSES	\$ 105,909	\$ 45,368	\$ 113,654	\$ 264,931	\$ 32,991	\$ 18,367	\$ 51,357	\$ 316,288

See notes to financial statements, including *explanation.

THE DREAM PROGRAM, INC.

STATEMENT OF CASH FLOWS (UNAUDITED) YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Net (decrease) increase in net assets	\$ (55,056)
Adjustments to reconcile net (decrease) increase in net assets to net cash (used in) provided by operating activities:	
Depreciation	1,798
Increase (decrease) in cash and cash equivalents as a result of a change in:	
Advances and other receivables	3,692
Grants receivable	12,158
Other temporarily restricted assets	46,121
Accounts payable and accrued liabilities	<u>(3,660)</u>
Net cash used in operating activities	<u>5,052</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(7,500)
Proceeds from sales of investments	-
Purchases of investments	-
Purchase of land	-
Net cash provided by (used in) investing activities	<u>(7,500)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from contributions restricted for:	
Investment in endowment	-
Investment in plant	-
Investment subject to annuity agreements	-
Other financing activities:	
Interest and dividends restricted for reinvestment	-
Payments of annuity obligation	-
Payments on notes payable	-
Payments on long-term debt	-
Net cash provided by (used in) financing activities	<u>-</u>

INCREASE IN CASH AND CASH EQUIVALENTS	(2,448)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>82,315</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 79,867</u></u>

See notes to financial statements.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) YEAR ENDED DECEMBER 31, 2005

1. NATURE OF ORGANIZATION

The DREAM Program, Inc. ("DREAM") was incorporated on November 20, 2001. With offices in Winooski, Vermont, DREAM is an independent non-profit organization dedicated to initiating and supporting mentoring programs between residents of government subsidized housing developments in Vermont and college students with campuses in Vermont and New Hampshire. *DREAM's mission is to create communities of families and college students that empower children from affordable housing neighborhoods to recognize their options, make informed decisions, and achieve their dreams.* DREAM is recognized as tax exempt by the Internal Revenue Service, which has granted DREAM 501(c)(3) status.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - Net assets, revenues and expenses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, the net assets of DREAM and the changes therein are classified and reported as follows:

- Unrestricted net assets - net assets that are not subject to donor- or grantor-imposed restrictions.
- Temporarily restricted net assets - contributions, grants, and income whose use by DREAM has been limited by donors or grantors to a specific time or purpose.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that are maintained permanently by DREAM. DREAM had no permanently restricted net assets in 2005.

Cash and cash equivalents - Cash and cash equivalents consist of cash on deposit with banks.

Investments - Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities.

Federal income tax - DREAM has been determined to be a tax-exempt, nonprofit organization under Section 501(c) of the Internal Revenue Code (the "Code") and is exempt from federal income tax on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Contributions and grants - Contributions and grants are received from individuals, private industry, foundations, and government agencies. Contributions and grants may be designated by the donor for a specific project or given as a general contribution. All contributions and grants are considered to be available for general use unless specifically restricted by the donor. Contributions and grants, including unconditional promises to give, are recorded when made. Grants from U.S. Government agencies are recorded in the period in which the funds become receivable on a letter of credit. Contributions and grants received for services which are required to be performed in future periods are accounted for as temporarily restricted assets. Amounts received which are required by the donor to be passed on to other organizations are recorded as a liability until the transfer is made.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Actual results could differ from those

3. **CORRECTIONS**

In DREAM's financial statements for year ended December 31, 2004, there an error that has been corrected for these financial statements. The Financial Statements ending Dec. 31, 2004 the accounts payable were overreported by \$13.00 due to an incorrectly accounted for Credit Card Charge. This error has been corrected for these statments and includes an increase in the Net Assests at Beginning of Year from 311,305.24 to 311,318.24

4. **POLICY CHANGES**

DREAM is no longer the fiscal agent of MPOWER YOU (formerly MPOW: the Mentoring Partnership of Orange and Windsor Counties).

5. **NOTES PAYABLE**

Notes payable consist of the following at December 31, 2005:

ACCOUNTS PAYABLE	
Bank of America credit card	\$ 3,660
Total accounts payable	<u>\$ 3,660</u>

Accounts payable to Bank of America were accumulated on DREAM's credit card. No payments were overdue.

6. **LONG-TERM DEBT**

DREAM paid in full its long-term debt on the Fletcher, Vermont Property IN January of 2005

7. **ACCOUNTS RECEIVABLE**

TEMPORARILY RESTRICTED CONTRIBUTIONS RECEIVABLE	
Vermont Recretion and Trails Grants	\$ 12,158
Total temporarily restricted contributions receivable	<u>\$ 12,158</u>
OTHER ACCOUNTS RECEIVABLE	
Burlington housing authority	1,600
Winooski housing authority	<u>2,092</u>
Total other accounts receivable	<u>\$ 3,692</u>
Total accounts receivable	<u><u>\$ 15,850</u></u>

8. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2005:

Property	\$ 100,000
Equipment	13,000
Less accumulated depreciation	(2,348)
Property and equipment, net	<u><u>\$ 110,652</u></u>

The Camp DREAM property in Fletcher, Vermont is valued at \$100,000. DREAM's equipment is depreciated on a straight-line basis over its useful life. In June of 2005, DREAM Purchased a 15 passenger van valued at \$7,500.

9.

REVENUES, GAINS, AND OTHER SUPPORT

In the Statement of Activities, the following income was recorded under "Revenues, gains, and other support:"

TEMPORARILY RESTRICTED CONTRIBUTIONS

Government

Corporation on National and Civilian Service (AmeriCorps)	\$ 3,334
Vermont agency of human services (armory square program)	25,575
State of Vermont (summer lunch program)	1,118
Vermont Housing and Conservation Board	17,000
Vermont Recreation and Trails Grants	12,158
Total government	<u>\$ 59,185</u>

Foundations

James t. bowse health trust (forest park program)	11,133
Salmon foundation (camp program)	13,500
Byrne foundation (northwoods/hollow drive program)	12,000
Vermont children's trust fund (camp program)	8,974
Vermont Community Foundation	2,000
The Robert Fleming and Jan Howe Patrick Foundation, Inc. (Camp)	500
The Turrell Fund (General Operations for children under 7)	<u>22,000</u>
Total foundations	<u>\$ 70,107</u>

Companies

IDX Foundation (Camp Operations)	7,000
Total companies	<u>\$ 7,000</u>

Organizations

Mobius (Van purchase)	<u>500</u>
Total organizations	<u>\$ 500</u>

Individuals

Donation to Dartmouth High Adventure	690
Total individuals	<u>\$ 690</u>

Total temporarily restricted contributions	<u>\$ 137,482</u>
--------------------------------------------	-------------------

SATISFACTION OF PROGRAM RESTRICTIONS

	<u>\$ (122,792)</u>
Total temporarily restricted revenues, gains, and other support	<u><u>\$ 14,690</u></u>

REVENUES, GAINS, AND OTHER SUPPORT (CONTINUED)

UNRESTRICTED CONTRIBUTIONS

Foundations

Wellpoint Foundation (employee match program)	450
The Mervyn Brenner Foudation donation to UVM/HA	500
Donley foundation (operating support)	<u>12,000</u>
Total foundations	<u>\$ 12,950</u>

Companies

Westco (summer program)	35
J.A Morrissey, Inc	100
Merchant's Bank	300
Green Mountain Power	1,000
Pizz Uno	<u>252</u>
Total Companies	<u>\$ 1,687</u>

Organizations

Vermont Student Assistance Corporation	2,500
University of Vermont	133
Psi Upsilon Zeta	414
Champlain College	<u>600</u>
Total organizations	<u>\$ 3,647</u>

Individuals

Unrestricted donations received	<u>30,059</u>
Total individuals	<u>\$ 30,059</u>
Total unrestricted contributions	<u>\$ 48,342</u>

FEES, UNRESTRICTED INCOME

Housing authorities

Burlington housing authority (received)	\$ 22,400
Burlington housing authority (receivable)	1,600
Winooski housing authority (received)	26,300
Winooski housing authority (receivable)	2,092
Barre housing authority (received)	8,800
Barre housing authority (receivable)	<u>-</u>
Total fees, unrestricted income	<u>\$ 61,192</u>

UNRESTRICTED INVESTMENT INCOME

Money market interest	<u>\$ 716</u>
Total unrestricted investment income	<u>\$ 716</u>

SALES TO PUBLIC, UNRESTRICTED INCOME

Dream gear	<u>\$ 2,660</u>
Total sales to public, unrestricted income	<u>\$ 2,660</u>

FUNDRAISING EVENTS

Local program fundraising events	<u>\$ 15,854</u>
Total other unrestricted income	<u>\$ 15,854</u>

SATISFACTION OF PROGRAM RESTRICTIONS

Satisfaction of program restrictions	<u>\$ 122,792</u>
Total satisfaction of program restrictions	<u>\$ 122,792</u>
Total unrestricted revenues, gains, and other support	<u>\$ 251,556</u>
Total revenues, gains, and other support	<u>\$ 266,245</u>

10. **FUNCTIONAL EXPENSE SALARY ESTIMATES**

Estimates were made for the purpose of breaking salaries down into functional expense categories. The following estimates were made for 2004:

EXECUTIVE DIRECTOR (Includes Jonathan Potter and Michael Loner)

School-year programs	11,463
Summer programs	4,585
Camp dream	6,878
General and administrative	9,170
Fundraising	13,756
Total executive director	<u>\$ 45,852</u>

PROGRAM DIRECTOR (Includes Mike Foote and Chad Butt)

School-year programs	\$ 15,992
Summer programs	\$ 5,331
Camp dream	\$ 5,331
Total program director	<u>\$ 26,654</u>

RESOURCE DEVELOPMENT DIRECTOR (VISTA and Paid Staff)

School-year programs	\$ 8,469
Summer programs	\$ 2,823
Camp dream	\$ 2,823
Total resource development director	<u>\$ 14,115</u>

SUMMER INTERNS

Summer programs	<u>\$ 20,500</u>
Total summer interns	<u>\$ 20,500</u>

CAMP STAFF

Camp dream	<u>\$ 5,500</u>
Total camp staff	<u>\$ 5,500</u>

Total school-year programs	<u>\$ 35,924</u>
----------------------------	------------------

Total summer programs	<u>\$ 33,239</u>
-----------------------	------------------

Total camp dream	<u>\$ 20,532</u>
------------------	------------------

Total general administrative	<u>\$ 9,170</u>
------------------------------	-----------------

Total fundraising	<u>\$ 13,756</u>
-------------------	------------------

Total salaries	<u>\$ 112,621</u>
----------------	-------------------

11. AMERICORPS*VISTA MEMBERS

In addition to paid staff members, DREAM is a sponsoring organization for AmeriCorps*VISTA. In 2005, DREAM held six full-time AmeriCorps*VISTA positions. The AmeriCorps members are recruited, hired, and managed by DREAM, but their compensation is paid by the Corporation for National and Community Service (CNCS). Through CNCS, AmeriCorps*VISTA members receive a living allowance, health insurance, an educational award, and other benefits. Their compensation from CNCS is not included in these financial statements. DREAM provides a housing stipend to these members, which is paid directly to each VISTA member's landlord. The exception to this is an AmeriCorps VISTA member that was a cost-share with CEDO of Burlington, the salary for this member is included in DREAM's financial statements.

12. INTEREST AND FEES

In the Statement of Functional Expenses, within the category "Interest and fees," the following expenses were recorded:

CAMP DREAM	
Application fees of State permits	\$ 2,260
Loan payoff fees	260
Town of fletcher permit fees	242
Total camp dream	<u>\$ 2,762</u>
GENERAL AND ADMINISTRATIVE	
Central office bank fees	\$ 13
Return of bank fees from Advest	\$ (11)
Central office credit card fees	-
Total general and administrative	<u>\$ 1</u>
Total interest and fees	<u><u>\$ 2,763</u></u>

13. TEMPORARILY RESTRICTED NET ASSETS

DREAM holds temporarily restricted net assets with a total value of \$49,114 as of December 31, 2005. DREAM has an additional \$12,158 in receivable temporarily restricted assets.

Of the total temporarily restricted net assets, \$271.94 is the result of donations by individuals who designated that their donations be used as college savings for specific children in the program. In the event that the children do not attend college by their 30th birthday, the funds will be given in the form of a scholarship to another child to be selected by committee. Committee members will be nominated by DREAM's Board of Directors.

The following children have donations in their name at December 31, 2005:

Dakota Salls	\$ 100.00
Nedra Keenan	175.00
Assets temporarily restricted for college savings	<u>\$ 275.00</u>
OTHER TEMPORARILY RESTRICTED NET ASSETS	
Local programs	
Turrell Fund	<u>\$ 11,000</u>
Camp Program	
IDX Foundation for 2006	3,000
Total local programs	<u>\$ -</u>

13. **TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

High adventure	
Armory Square	\$ 737
Templeton	<u>11,281</u>
Total high adventure	<u>\$ 12,019</u>
Camp dream	<u>\$ 22,820</u>
Total other temporarily restricted net assets	<u>#REF!</u>
Total temporarily restricted net assets (non-receivable)	<u><u>#REF!</u></u>

14. **LOCAL PROGRAMS**

DREAM's local programs had the following net assets as of December 31, 2005:

ELM STREET LOCAL PROGRAM

Net assets, beginning of year	\$ 218
Revenues	1,830
Expenses	<u>(1,266)</u>
Net assets, end of year, elm street local program	<u><u>\$ 781</u></u>

NORTHWOODS/HOLLOW DRIVE LOCAL PROGRAM

Net assets, beginning of year	\$ 2,583
Revenues	2,239
Expenses	<u>(3,976)</u>
Net assets, end of year, northwoods/hollow drive local program	<u><u>\$ 846</u></u>

BIRCHWOOD LOCAL PROGRAM

Net assets, beginning of year	\$ (3)
Revenues	4,918
Expenses	<u>(3,489)</u>
Net assets, end of year, birchwood local program	<u><u>\$ 1,426</u></u>

ARMORY SQUARE LOCAL PROGRAM

Net assets, beginning of year	\$ 1,922
Revenues	3,473
Expenses	<u>(4,288)</u>
Net assets, end of year, armory square local program	<u><u>\$ 1,107</u></u>

14. **LOCAL PROGRAMS (CONTINUED)**

FRANKLIN SQUARE LOCAL PROGRAM

Net assets, beginning of year	\$ 1,650
Revenues	840
Expenses	<u>(1,597)</u>
Net assets, end of year, franklin square local program	<u>\$ 893</u>

GREEN ACRES LOCAL PROGRAM

Net assets, beginning of year	\$ 35
Revenues	1,892
Expenses	<u>(1,102)</u>
Net assets, end of year, green acres local program	<u>\$ 825</u>

FOREST PARK LOCAL PROGRAM

Net assets, beginning of year	\$ -
Revenues	983
Expenses	<u>(351)</u>
Net assets, end of year, forest park local program	<u>\$ 632</u>

FRANKLIN STREET LOCAL PROGRAM

Net assets, beginning of year	\$ -
Revenues	343
Expenses	<u>-</u>
Net assets, end of year, forest park local program	<u>\$ 343</u>

All of the local programs' revenues and expenses are accounted for in these financial statements. The volunteers who run each local program have control over the program's funds.

15. **ALUMNI ORGANIZATION**

DREAM's alumni organization had the following net assets as of December 31, 2004:

Net assets, beginning of year	\$ 20,411
Revenues	4,490
Expenses	<u>(3,865)</u>
Net assets, end of year, alumni organization	<u>\$ 21,036</u>

The Alumni Organization's revenues and expenses are accounted for in these financial statements. The alumni organization, consisting of former DREAM volunteers, has control over the allocation of these funds.

16. ***NET LOSS FOR 2005**

In May of 2004 DREAM purchased property in Fletcher, Vermont to develop Camp DREAM, a summer residential camp for children ages 8 to 17 in DREAM. This purchase was made possible by a grant awarded to DREAM from the Vermont Housing Conservation Board and the Vermont Land Trust. In the DREAM Financial Statement for 2004 this was recorded as a Contribution Receivable of \$83,000. The closing of the property was conducted in November of 2005 and DREAM received the \$83,000. GAPP requires that this funding be recorded and accounted for in 2004. Camp DREAM had expenses for professional services and building materials that exceeded their budget in 2005 with anticipation of receiving these funds in November of 2005.