

THE DREAM PROGRAM, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2009

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

To the Board of Directors
The DREAM Program, Inc.
Winooski, Vermont

We have audited the accompanying statement of financial position of The DREAM Program, Inc. (a nonprofit organization) as of August 31, 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The DREAM Program, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Williston, Vermont
March ____, 2010

THE DREAM PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
August 31, 2009

	<u>2009</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 81,671
Accounts receivable	
Trade receivables	84,670
Pledge receivables	15,582
Prepaid expenses	<u>4,125</u>
Total current assets	<u>186,048</u>
PROPERTY AND EQUIPMENT, net	<u>173,635</u>
INVESTMENTS	
Founder's CD	8,213
Alumni Fund	<u>44,797</u>
Total investments	<u>53,010</u>
Total assets	<u><u>\$ 412,693</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	110
Accrued expenses	8,161
Accrued payroll	<u>7,491</u>
Total current liabilities	<u>15,762</u>
NET ASSETS	
Unrestricted	284,930
Temporarily restricted	68,618
Permanently restricted	<u>43,383</u>
Total net assets	<u>396,931</u>
Total liabilities and net assets	<u><u>\$ 412,693</u></u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

THE DREAM PROGRAM, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Totals</u>
SUPPORT AND REVENUE				
Government	\$ 143	\$ 234,255	\$ --	234,398
Foundations	13,500	27,100	--	40,600
Companies	1,369	53,050	--	54,419
Organizations	--	19,867	--	19,867
Housing authorities	84,740	--	--	84,740
United Ways	--	18,500	--	18,500
Individuals	<u>103,711</u>	<u>--</u>	<u>--</u>	<u>103,711</u>
Total support and revenues	<u>203,463</u>	<u>352,772</u>	<u>--</u>	<u>556,235</u>
OTHER INCOME				
Investment income	184	1,414	--	1,598
Sales to public	1,106	--	--	1,106
Fundraising events	2,107	--	--	2,107
In-kind contributions	<u>15,400</u>	<u>--</u>	<u>--</u>	<u>15,400</u>
Total other income	<u>18,797</u>	<u>1,414</u>	<u>--</u>	<u>20,211</u>
Transfer of endowment based on change in law	(43,383)	--	43,383	--
Net assets released from restrictions - satisfaction of donor requirements	<u>338,793</u>	<u>(338,793)</u>	<u>--</u>	<u>--</u>
Total support, revenues and reclassifications	<u>517,670</u>	<u>15,393</u>	<u>43,383</u>	<u>576,446</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

THE DREAM PROGRAM, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Totals</u>
OPERATING EXPENSES				
Program services				
School-Year programs	\$ 164,235	\$ --	\$ --	164,235
Summer programs	70,857	--	--	70,857
Camp DREAM	<u>124,368</u>	<u>--</u>	<u>--</u>	<u>124,368</u>
Total program services	<u>359,461</u>	<u>--</u>	<u>--</u>	<u>359,461</u>
Supporting services				
Management and general	111,606	--	--	111,606
Fundraising	<u>26,243</u>	<u>--</u>	<u>--</u>	<u>26,243</u>
Total supporting services	<u>137,849</u>	<u>--</u>	<u>--</u>	<u>137,849</u>
Total operating expenses	<u>497,310</u>	<u>--</u>	<u>--</u>	<u>497,310</u>
Net change in net assets	20,360	15,393	43,383	79,136
NET ASSETS, beginning of year	<u>264,570</u>	<u>53,225</u>	<u>--</u>	<u>317,795</u>
NET ASSETS, end of year	<u>\$ 284,930</u>	<u>\$ 68,618</u>	<u>\$ 43,383</u>	<u>\$ 396,931</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

THE DREAM PROGRAM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2009**

	Program Services			Supporting Services		Total
	School-Year Programs	Summer Programs	Camp DREAM	General and Administrative	Fundraising	
Salaries and related expenses	\$ 99,733	\$ 54,070	\$ 89,033	\$ 62,802	\$ 21,984	\$ 327,623
Payroll taxes	4,246	2,302	3,790	2,674	936	13,948
Health insurance	8,007	4,341	7,148	5,042	1,765	26,303
Housing stipends	12,300	--	1,950	--	--	14,250
Other benefits	21	11	19	13	5	69
Staff development	100	375	575	287	--	1,337
Staff recruitment	120	--	--	704	--	824
Accounting and payroll	--	--	--	3,595	--	3,595
Office and occupancy	--	--	399	2,159	--	2,557
In-kind donation expenses	--	--	--	13,500	--	13,500
Phone, fax, and internet	--	--	288	3,470	--	3,758
Website	50	--	--	--	--	50
Technology	--	--	--	236	--	236
Risk management - insurance	7,018	1,009	1,762	3,556	411	13,756
Evaluation	219	--	--	1,275	--	1,494
Supplies	2,380	802	4,805	557	159	8,704
Food	5,760	1,588	6,738	1,059	32	15,177
Postage	16	7	87	1,176	148	1,434
Activities	5,116	1,167	29	4	--	6,317
Printing and duplication	22	--	--	1,249	--	1,271
Building materials	--	--	278	--	--	278
Travel and transportation	10,612	5,184	4,247	816	26	20,885
Lodging	--	--	--	110	--	110
Program fundraising expenses	--	--	--	--	777	777
Dues and subscriptions	--	--	--	1,106	--	1,106
Interest and fees	--	--	363	1,270	--	1,633
Taxes	--	--	2,857	--	--	2,857
Depreciation	3,588	--	--	--	--	3,588
Vehicles	4,355	--	--	--	--	4,355
DREAM gear purchases	572	--	--	4,945	--	5,517
Total Functional Expenses	\$ 164,235	\$ 70,857	\$ 124,368	\$ 111,606	\$ 26,243	\$ 497,310

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

THE DREAM PROGRAM, INC.
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2009

	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 79,136
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	3,588
Donated property and equipment	(1,900)
Net realized/unrealized loss on investments	(1,573)
Changes in:	
Trade receivables	(9,578)
Pledge receivables	(15,582)
Prepaid expenses	(97)
Accounts payable	(4,521)
Accrued expenses	650
Accrued payroll	<u>2,532</u>
Net cash provided by operating activities	<u>52,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(39,059)</u>
Net cash used for investing activities	<u>(39,059)</u>
Net change in cash	13,596
Cash, beginning of the year	<u>68,075</u>
Cash, end of the year	<u>\$ 81,671</u>

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

THE DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2009**

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

The DREAM Program, Inc. (the Organization or DREAM) was incorporated on November 20, 2001. With offices in Vermont and Massachusetts, the Organization 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. The Organization'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.

A description of the Organization's major programs follows:

School-Year Programs: Kindergarten through middle-school-aged children from housing developments are paired with college student volunteers in one-on-one, consistent, long-term relationships. Each week, students bring the children in the program to their college campus for a combination of group and one-on-one activities. Group activities are age-appropriate, and the individual activities are tailored to the specific needs and interests of each child in the program.

Summer Programs: One of the intrinsic challenges of the college-based mentoring program is bridging the summer, when many mentors having other commitments away from school is combined with children having much more free time. The goal, whether it is through one-on-one Village Mentoring™ partnerships or memorable culminating experiences is to provide the children of DREAM with a supportive environment replete with experiences that will help grow into their limitless potential. To this end, DREAM, Inc has a Summer Programs office that offers support for High Adventure, TripScape, on-site summer programming and other special projects.

Camp DREAM: Camp DREAM is a time for the children involved in the program to explore, grow, and learn outside their everyday environment. For some children, a 50 acre camp in Fletcher, Vermont provides their first experience to independently interact with the great outdoors. For others, Camp DREAM becomes a highly anticipated experience that grows and changes as they do. The DREAM Program, Inc. makes sure that every DREAM child who wishes to come to camp has that opportunity by offering comprehensive Camperships, which allow children to attend camp free of charge.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2009

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Basis of presentation

The Organization's financial statement presentation is as required by the Not-for-Profit Topic of the FASB Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Fair value measurements

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the Organization measures certain assets and liabilities within a fair value hierarchy that prioritizes the inputs to valuation techniques. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for similar assets or liabilities; while Level 3 inputs are defined as unobservable inputs for the asset or liability.

All long-term investments (see Note 5.) have been valued in accordance with the definition of Level 1 inputs as described above.

Cash and cash equivalents

The Organization considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Allowance for doubtful accounts

The Organization has adopted the direct write-off method to record bad debts. Generally accepted accounting principles require that the allowance method be used to recognize bad debt. At August 31, 2009 the effect of using the direct write-off method is not considered to be materially different from the results that would have been obtained under the allowance method.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Additions and betterments with a value in excess of \$1,000 are capitalized, and expenditures for repairs and maintenance are expensed when incurred. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the accompanying Statement of Activities and Changes in Unrestricted Net Assets.

THE DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2009**

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of cash, fixed income securities and equities that have been designated for long-term investment by the Organization.

Net asset classifications

In August 2008, The Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). Subsequently adopted under the Accounting Standards Codification (ASC) 958-205, the pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006. (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Vermont adopted UPMIFA effective May 5, 2009. The Organization has adopted the required treatment and disclosure regarding endowment funds for the year ended August 31, 2009. It has been determined that the majority of the Organization's net assets do not meet the definition of endowment under UPMIFA or ASC 958-205. The Organization is governed subject to the by-laws for the Organization and most contributions are subject to the terms of these governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Organization.

The Organization has determined that the Alumni Fund is an endowment fund in accordance with UPMIFA and ASC 958-205. The Organization transferred full legal title to the Vermont Community Foundation (VCF) on May 8, 2009 and has agreed upon the following policies to be effective for the fund:

- The Fund is to be referred to as The DREAM Alumni Organization Fund
- VCF is granted full legal title of the fund including variance power
- VCF has full authority to invest the funds in accordance with their investment policies
- Annual distributions may be made to The DREAM Program at the discretion of VCF

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

In accordance with the Organization's interpretation of relevant law, during the year ended August 31, 2009 the Organization has reviewed endowment funds and has transferred to permanently restricted net assets those that are subject to UPMIFA that were previously classified as unrestricted net assets.

THE DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2009**

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Net asset classifications (continued)

Earnings on endowment investments are restricted for fund programs or to provide scholarships, to the extent that endowment losses do not reduce the investment below the historical dollar value of the original gifts.

Support and revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Advertising

Advertising costs are expensed as incurred.

Income taxes

The Organization is a not-for-profit organization, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes is made in the accompanying financial statements.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." Subsequently adopted under the Accounting Standards Codification (ASC) 740, Income Tax Considerations, the pronouncement permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of Interpretation 48 for the year ending August 31, 2009. The Organization evaluates its uncertain tax positions using the provisions of Loss Contingencies Topic of the FASB Accounting Standards Codification (ASC) 450. Accordingly, a loss contingency is recognized when it is probably that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome for each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. In Management's judgment there are no uncertain tax positions for the year ended August 31, 2009.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2009

Note 1. Nature of Business and Summary of Significant Accounting Policies (continued)

Expense allocation

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. This allocation was based upon estimated employee time dedicated to particular programs.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through March __, 2010, which is the date the financial statements were issued.

Note 2. Trade Receivables

Trade receivables consisted of the following at August 31:

	<u>2009</u>
AmeriCorps grant reimbursement	\$ 77,607
Highgate apartments	3,000
Vermont Student Assistance Corporation	64
Winooski Housing Authority	2,092
Burlington Housing Authority	1,600
St. Albans Teen Center	64
Other	<u>243</u>
Total trade receivables	<u>\$ 84,670</u>

Note 3. Pledge Receivables

Pledge receivables consisted of the following at August 31:

	<u>2009</u>
United Way of Chittenden County	\$ 9,332
United Way of Rutland County	1,250
Adams Fund (Beth Family Foundation)	<u>5,000</u>
Total trade receivables	<u>\$ 15,582</u>

THE DREAM PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2009

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	Useful Life (Years)	<u>2009</u>
Building	39	\$ 53,250
Land improvements	15	10,731
Vehicles	5	18,398
Land	--	<u>100,000</u>
Total property and equipment		182,379
Less accumulated depreciation		<u>(8,744)</u>
Property and equipment, net		<u>\$ 173,635</u>

Depreciation expense was \$3,588 for the year ended August 31, 2009.

Note 5. Investments

Investments are carried at fair market value, and realized and unrealized gains and losses are reflected in the Statement of Activities and Changes in Net assets.

Founders CD

The Founder's CD consisted of board designated funds. The original founders of the Organization comprise the Founders Committee. The Founders Committee decides how these funds will be used.

The Founder's CD consisted of the following at August 31:

	(Level 1) <u>2009</u>
Balance, beginning of year	\$ 8,055
Interest earned	<u>158</u>
Balance, end of year	<u>\$ 8,213</u>

Alumni fund

The Alumni Fund consisted of permanently restricted funds in accordance with the Organization's interpretation of UPMIFA and ASC 958-208 (see note 1.). During 2009 the Organization transferred the entire balance of the fund to the Vermont Community Foundation (VCF). Funds released to The DREAM Program, Inc. from VCF are either used to fund programs or provide scholarships. No funds were released by VCF during the year ended August 31, 2009.

THE DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2009**

Note 5. Investments (continued)

Alumni fund (continued)

The Alumni Fund consisted of the following at December 31:

	(Level 1) <u>2009</u>
Balance, beginning of year	\$ 43,383
Interest earned	19
Dividends earned	250
Realized losses	(1,301)
Unrealized gains	2,648
Management fees	<u>(202)</u>
 Balance, end of year	 <u>\$ 44,797</u>

The historical dollar value of \$43,383 is included in permanently restricted net assets at August 31, 2009. Aggregate earnings of \$1,414, which are in excess of the historical dollar value, are included in temporarily restricted net assets at August 31, 2009.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at August 31:

	<u>2009</u>
Vermont Mentors! Grant	\$ 10,400
The Permanent Fund	4,400
Ben & Jerry's	41,347
United Way of Chittenden County	9,332
United Way of Rutland County	1,250
Net earnings on endowment funds	1,414
Other temporary restrictions	<u>475</u>
 Total temporarily restricted net assets	 <u>\$ 68,618</u>

Note 7. Risks and Uncertainties

The DREAM Program, Inc. obtains the majority of its funding from government grants and contributions from both organizations and individuals. Accordingly, a decrease in funding could result from adverse economic conditions. If this were to occur, it would have a severe impact on the organization.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2009

Note 8. In-kind Contributions

South Burlington office space was provided to the Organization rent-free by an unrelated for-profit organization. Additional office space in Winooski was provided to the Organization rent-free by a municipal housing authority. The Organization is authorized to occupy the South Burlington office space on a month-to-month agreement. The DREAM Program has a lease for the Winooski office through March 2010, at which point the leases can be extended for another three years. Fair market value for the office space donations has been determined to be \$13,500 by management for the year ended August 31, 2009. The amounts are included in the accompanying Statement of Activities and Changes in Net Assets.

In addition, the Organization received a grease car conversion kit valued at \$1,900 as part of its acquisition of a grease powered vehicle during 2009.

Note 9. AmeriCorps Members

In addition to paid staff members, DREAM is an AmeriCorps State Program member. During 2009, DREAM had 7 full-time AmeriCorps Positions and 20 part-time members. The AmeriCorps members are recruited, hired, and managed by DREAM, and their living stipend (up to \$11,400 per year) is reflected in the accompanying statement of functional expenses.

Note 10. Commitments and Contingencies

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the possibility remains, management deems the contingency remote, as by accepting awards and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.