



The DREAM Program, Inc.

FINANCIAL STATEMENTS
AUGUST 31, 2012 and 2011



Innovative
Entrepreneurial
Experienced

THE DREAM PROGRAM, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2012 and 2011

CONTENTS

	<u>Page</u>
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 16
SUPPLEMENTAL INFORMATION	
Statements of Functional Expenses	17 – 18
Statements of Program Expenses	19 – 20



Innovative
Entrepreneurial
Experienced

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, 2012 and 2011, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of The DREAM Program, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

John W. Davis
CPA, CFP®, CVA

Bret L. Hodgdon
CPA, CFP®, CFE

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, 2012 and 2011, and the change 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.

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
June 3, 2013

33 Blair Park Road,
Suite 201
Williston, Vermont
05495

Tel (802) 878.1963
Fax (802) 878.7197
www.dh-cpa.com

THE DREAM PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 87,252	\$ 19,520
Accounts receivable		
Trade receivables	38,763	85,049
Pledge receivables	12,201	17,788
Prepaid expenses	<u>10,162</u>	<u>3,470</u>
Total current assets	<u>148,378</u>	<u>125,827</u>
PROPERTY AND EQUIPMENT, net	<u>188,556</u>	<u>194,898</u>
INVESTMENTS		
Alumni Fund	<u>60,252</u>	<u>51,929</u>
Total investments	<u>60,252</u>	<u>51,929</u>
Total assets	<u>\$ 397,186</u>	<u>\$ 372,654</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,399	\$ 3,046
Accrued expenses	5,761	8,933
Accrued payroll	<u>10,996</u>	<u>7,610</u>
Total current liabilities	<u>22,156</u>	<u>19,589</u>
NET ASSETS		
Unrestricted	296,303	293,619
Temporarily restricted	30,673	13,487
Permanently restricted	<u>48,054</u>	<u>45,959</u>
Total net assets	<u>375,030</u>	<u>353,065</u>
Total liabilities and net assets	<u>\$ 397,186</u>	<u>\$ 372,654</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, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Totals</u>
SUPPORT AND REVENUE				
Government	\$ --	\$ 1,122	\$ --	\$ 1,122
Foundations	48,200	82,956	--	131,156
Companies	7,144	15,000	--	22,144
Organizations	16,189	37,470	--	53,659
Housing authorities	71,776	--	--	71,776
United Ways	(436)	25,339	--	24,903
Individuals	<u>195,709</u>	<u>8,621</u>	<u>2,095</u>	<u>206,425</u>
Total support and revenues	<u>338,582</u>	<u>170,508</u>	<u>2,095</u>	<u>511,185</u>
OTHER INCOME				
Investment income	507	6,736	--	7,243
Sales to public	687	--	--	687
Fundraising events	75	--	--	75
In-kind contributions	<u>13,500</u>	<u>--</u>	<u>--</u>	<u>13,500</u>
Total other income	<u>14,769</u>	<u>6,736</u>	<u>--</u>	<u>21,505</u>
Net assets released from restrictions - satisfaction of donor requirements	<u>160,058</u>	<u>(160,058)</u>	<u>--</u>	<u>--</u>
Total support, revenues and reclassifications	<u>513,409</u>	<u>17,186</u>	<u>2,095</u>	<u>532,690</u>
OPERATING EXPENSES				
Program services				
School-year programs	218,891	--	--	218,891
Summer programs	64,099	--	--	64,099
Camp DREAM	<u>108,443</u>	<u>--</u>	<u>--</u>	<u>108,443</u>
Total program services	<u>391,433</u>	<u>--</u>	<u>--</u>	<u>391,433</u>
Supporting services				
Management and general	87,846	--	--	87,846
Fundraising	<u>31,446</u>	<u>--</u>	<u>--</u>	<u>31,446</u>
Total supporting services	<u>119,292</u>	<u>--</u>	<u>--</u>	<u>119,292</u>
Total operating expenses	<u>510,725</u>	<u>--</u>	<u>--</u>	<u>510,725</u>
Change in net assets	2,684	17,186	2,095	21,965
NET ASSETS, beginning	<u>293,619</u>	<u>13,487</u>	<u>45,959</u>	<u>353,065</u>
NET ASSETS, ending	<u>\$ 296,303</u>	<u>\$ 30,673</u>	<u>\$ 48,054</u>	<u>\$ 375,030</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, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Totals</u>
SUPPORT AND REVENUE				
Government	\$ --	\$ 145,962	\$ --	\$ 145,962
Foundations	30,000	70,669	--	100,669
Companies	6,188	1,000	--	7,188
Organizations	8,966	49,313	--	58,279
Housing authorities	86,415	--	--	86,415
United Ways	--	24,527	--	24,527
Individuals	<u>151,418</u>	<u>--</u>	<u>1,558</u>	<u>152,976</u>
Total support and revenues	<u>282,987</u>	<u>291,471</u>	<u>1,558</u>	<u>576,016</u>
OTHER INCOME				
Investment income	10	2,330	--	2,340
Sales to public	4,278	--	--	4,278
Fundraising events	2,502	--	--	2,502
In-kind contributions	13,500	--	--	13,500
Loss on disposal of assets	<u>(1,833)</u>	<u>--</u>	<u>--</u>	<u>(1,833)</u>
Total other income	<u>18,457</u>	<u>2,330</u>	<u>--</u>	<u>20,787</u>
Net assets released from restrictions - satisfaction of donor requirements	<u>291,889</u>	<u>(291,889)</u>	<u>--</u>	<u>--</u>
Total support, revenues and reclassifications	<u>593,333</u>	<u>1,912</u>	<u>1,558</u>	<u>596,803</u>
OPERATING EXPENSES				
Program services				
School-year programs	239,035	--	--	239,035
Summer programs	98,167	--	--	98,167
Camp DREAM	<u>129,562</u>	<u>--</u>	<u>--</u>	<u>129,562</u>
Total program services	<u>466,764</u>	<u>--</u>	<u>--</u>	<u>466,764</u>
Supporting services				
Management and general	101,252	--	--	101,252
Fundraising	<u>34,046</u>	<u>--</u>	<u>--</u>	<u>34,046</u>
Total supporting services	<u>135,298</u>	<u>--</u>	<u>--</u>	<u>135,298</u>
Total operating expenses	<u>602,062</u>	<u>--</u>	<u>--</u>	<u>602,062</u>
Change in net assets	(8,729)	1,912	1,558	(5,259)
NET ASSETS, beginning	<u>302,348</u>	<u>11,575</u>	<u>44,401</u>	<u>358,324</u>
NET ASSETS, ending	<u>\$ 293,619</u>	<u>\$ 13,487</u>	<u>\$ 45,959</u>	<u>\$ 353,065</u>

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

THE DREAM PROGRAM, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,965	\$ (5,259)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,342	5,873
Net realized/unrealized (gain)/loss on investments	(8,323)	(4,396)
Changes in:		
Trade receivables	46,286	(2,497)
Pledge receivables	5,587	(5,470)
Prepaid expenses	(6,692)	14,689
Accounts payable	2,353	772
Accrued expenses	(3,172)	4,592
Accrued payroll	<u>3,386</u>	<u>1,419</u>
Net cash provided by operating activities	<u>67,732</u>	<u>9,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>--</u>	<u>(30,011)</u>
Net cash used in investing activities	<u>--</u>	<u>(30,011)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit	<u>--</u>	<u>(25,059)</u>
Net cash used in financing activities	<u>--</u>	<u>(25,059)</u>
Net change in cash	67,732	(45,347)
Cash, beginning of the year	<u>19,520</u>	<u>64,867</u>
Cash, end of the year	<u>\$ 87,252</u>	<u>\$ 19,520</u>

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

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

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 affordable housing developments and college students with campuses in Vermont, New Hampshire and Massachusetts. 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: Children and youth ages 5 to 18 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 or teen 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, the DREAM Program has a Summer Program 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, 2012 and 2011

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 Codified FASB Accounting Standards. 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.

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

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, 2012 and 2011 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.

Investments

Investments consist of cash, fixed income securities and equities that have been designated for long-term investment by the Organization. The Organization reports investment income and gains and losses on investments as increases or decreases in net assets unless a donor law temporarily or permanently restricts their use.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

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

Fair Value Measurements

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability under current market conditions at the measurement date. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that is based on the subjectivity of inputs. It distinguishes between observable inputs (Levels 1 and 2) which are either observable from market data or corroborated by observable market data and those that are unobservable (Level 3).

Three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs include quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities debt securities and alternative investments using net asset value (NAV) per share for which the Organization has the ability to redeem its investment at or close to the measurement date.

Level 3 – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstances. This category generally includes certain private debt and equity instruments, alternative investments where the Organization will never have the ability to redeem its investment with the investee at NAV per share or the redemption date is not close to the measurement date. This category also includes investments held in trust where the Organization is not the trustee and the beneficial interest in perpetual trust.

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

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

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

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

Net asset classifications

The Organization has adopted the Codified FASB Accounting Standards that provide 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). The Codified Accounting Standards also improve 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 Codified FASB Accounting Standards as of 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 the Codified FASB Accounting Standards. The Organization is governed subject to the governing documents 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.

Under the terms of the Organization's governing documents and in the absence of overriding, explicit donor stipulations, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Temporarily restricted net assets may consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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.

The Organization's endowment funds are made up entirely of net assets transferred to a community foundation from unrestricted net assets as described below. Accordingly, these funds are not subject to The DREAM Program, Inc.'s interpretation of the pertinent State Prudent Management of Institutional Funds Act (SPMIFA) or The DREAM Program, Inc.'s investment and spending policy.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

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

Net asset classifications (continued)

In May of 2009 The DREAM Program, Inc. contributed funds to the Vermont Community Foundation (the Foundation), a not-for-profit organization, in order to encourage and enhance contributions, insure perpetual continuity and provide for professional investment management. The Foundation has been granted variance power whereby the Board of Trustees of the Vermont Community Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessarily, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The Foundation has agreed that if the board proposes to exercise this power, the exercise of such power shall not be effective earlier than at least ninety days after the Foundation notifies The DREAM Program, Inc. in writing of (a) its intent to exercise such power and (b) the manner in which the Foundation proposes to vary the purposes, uses, or methods of administration of the funds. Each year the Foundation shall pay to The DREAM Program, Inc. an amount to be determined on an annual basis by the Foundation's board.

In accordance with the FASB ASC, these funds have been treated as a beneficial interest in assets held by others and appear on the accompanying Statements of Financial Position as investments.

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

The Organization records contributions as unrestricted, temporarily restricted, and permanently restricted support depending on the existence or nature of donor restrictions. Unconditional promises to give are recorded as pledges receivable.

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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Restricted contributions that meet restrictions in the same reporting period are reported as increases in unrestricted net assets.

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. Donated investments are also reported at fair value at the date of receipt, which is then treated as the Organization's cost basis.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

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

Advertising

Advertising costs are expensed as incurred.

Income taxes

The Organization is a not-for-profit corporation, exempt from Federal income tax 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 has been made in the accompanying financial statements.

The Organization annually files an IRS Form 990, *Return of Organization Exempt From Income Tax*, tax return in the U.S. Federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examination by tax authorities for the years prior to August 31, 2009. In the normal course of business, the Organization is subject to the examination by various taxing authorities. Although the outcome of tax audits is always uncertain, the management of the Organization believes that there are no significant unrecognized tax liabilities at August 31, 2012 and 2011.

Expense allocation

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the accompanying Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This allocation was based on the functions of the employees and management's estimate of actual hours attributable to each activity.

Reclassifications

Certain amounts for the years ending August 31, 2011 have been reclassified to conform to the presentation of the August 31, 2012 amounts respectively. The reclassifications have no effect on net assets for the year ended August 31, 2011.

Subsequent events

Subsequent events have been evaluated through June 3, 2013 which is the date the financial statements were issued.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

Note 2. Trade Receivables

Trade receivables consisted of the following at August 31:

	<u>2012</u>	<u>2011</u>
AmeriCorps grant reimbursement	\$ --	\$ 27,113
Housing for Vermont	15,000	--
Ruggles Shamut, LLC	2,500	--
Madison Park Village IV LP	2,500	--
Vermont Youth Development Corp	--	1,041
Bennington Housing Authority	2,075	1,500
Cambridge Housing Authority	2,813	5,625
Pine Meadow Apartments	--	7,500
Burlington Housing Authority	3,200	3,200
Vermont Student Assistance Corporation	7,305	34,993
Vermont Dept. of Education	--	2,104
Other	<u>3,370</u>	<u>1,973</u>
Total trade receivables	<u>\$ 38,763</u>	<u>\$ 85,049</u>

Note 3. Pledge Receivables

Pledge receivables consisted of the following at August 31:

	<u>2012</u>	<u>2011</u>
Adams Fund	\$ --	\$ 5,000
United Way of Chittenden County	12,201	11,538
United Way of Rutland County	<u>--</u>	<u>1,250</u>
Total pledge receivables	<u>\$ 12,201</u>	<u>\$ 17,788</u>

THE DREAM PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 4. Property and Equipment

Property and equipment consisted of the following at August 31:

	Useful Life (Years)	<u>2012</u>	<u>2011</u>
Building	39	\$ 79,538	\$ 79,538
Land improvements	15	10,731	10,731
Vehicles	5	23,954	23,954
Land	--	<u>100,000</u>	<u>100,000</u>
Total property and equipment		214,223	214,223
Less accumulated depreciation		<u>(25,667)</u>	<u>(19,325)</u>
Property and equipment, net		<u>\$ 188,556</u>	<u>\$ 194,898</u>

Depreciation expense was \$6,342 and \$5,873 for the years ended August 31, 2012 and 2011, respectively.

Note 5. Investments

Investments at fair value based on quoted prices in active markets for identical assets (Level 1 as described in Note 1.) consisted of the following at August 31:

	<u>2012</u>	<u>2011</u>
Vermont Community Foundation	<u>60,252</u>	<u>51,929</u>
Total investments	<u>\$ 60,252</u>	<u>\$ 51,929</u>

The following table provides additional information regarding the aggregate changes in Level 1 investments:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 51,929	\$ 47,533
Total gains or (losses) included in statement of activities and changes in net assets	6,736	2,330
Purchases, sales, issuances, and settlements (net)	<u>1,587</u>	<u>2,066</u>
Ending balance	<u>\$ 60,252</u>	<u>\$ 51,929</u>

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

Note 5. Investments (continued)

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 (the Foundation). Funds released to The DREAM Program, Inc. from the Foundation are either used to fund programs or provide scholarships.

The following schedule summarizes the investment income reported in the statement of activities as an increase (decrease) in net assets:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 51,929	\$ 47,533
Contributions	2,095	1,558
Interest & Dividends earned	1,081	1,109
Realized gain	512	3,789
Unrealized gain (loss)	5,578	(1,224)
Distributions	--	--
Management fees	<u>(943)</u>	<u>(836)</u>
Balance, end of year	<u>\$ 60,252</u>	<u>\$ 51,929</u>

The historical dollar value of \$48,054 and \$45,959 (including 2012 contributions of \$2,095 and 2011 contributions of \$1,558) are included in permanently restricted net assets at August 31, 2012 and 2011, respectively. Aggregate earnings of \$12,198 and \$5,462 which are in excess of the historical dollar value, are included in temporarily restricted net assets at August 31, 2012 and 2011, respectively.

Note 6. Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
The Shamrock Foundation, Bill Russell Grant	\$ 8,475	\$ --
Vermont Mentors Grant	7,000	8,025
Massachusetts Mentoring Matching Grant	3,000	--
Net earnings on endowment funds	<u>12,198</u>	<u>5,462</u>
Total temporary restricted net assets	<u>\$ 30,673</u>	<u>\$ 13,487</u>

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2012 and 2011

Note 7. 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 2013. Fair market value for the office space donations has been determined to be \$13,500 by management for each of the years ending August 31, 2012 and 2011. The amounts are included in the accompanying Statement of Activities and Changes in Net Assets.

Note 8. Changes in Endowment Net Assets

Changes in endowment net assets for the year ending August 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ --	\$ 5,462	\$ 45,959
Interest and dividends net of expenses	--	138	--
Net realized and unrealized gains	--	<u>6,598</u>	--
Net return on endowment assets	--	6,736	--
Donor contributions	--	--	2,095
Amounts appropriated for expenditure	--	--	--
Change in endowment assets	--	<u>6,736</u>	<u>2,095</u>
Endowment net assets, ending	<u>\$ --</u>	<u>\$ 12,198</u>	<u>\$ 48,054</u>

Changes in endowment net assets for the year ending August 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning		\$ 3,132	\$ 44,401
Interest and dividends net of expenses	--	1,109	--
Net realized and unrealized gains	--	<u>1,221</u>	--
Net return on endowment assets	--	2,330	--
Donor contributions	--	--	1,558
Amounts appropriated for expenditure	--	--	--
Change in endowment assets	--	<u>2,330</u>	<u>1,558</u>
Endowment net assets, ending	<u>\$ --</u>	<u>\$ 5,462</u>	<u>\$ 45,959</u>

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2012 and 2011

Note 9. Risks and Uncertainties

The DREAM Program, Inc. obtains the majority of its funding from 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.

Note 10. AmeriCorps Members

In addition to paid staff members, DREAM was an AmeriCorps State Program during 2011. DREAM maintained approximately 3 full-time AmeriCorps positions and 11 part-time members. The AmeriCorps members are recruited, hired, and managed by DREAM, and their living stipend (up to \$7,800 per year) is reflected in the accompanying statement of functional expenses. In 2012 DREAM was not an AmeriCorps State Program. Additional program contract staffing was obtained through an arrangement with the Washington County Youth Services Bureau.

Note 11. 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.

SUPPLEMENTAL INFORMATION

THE DREAM PROGRAM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2012**

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
Salaries and related expenses	\$ 206,220	\$ 39,611	\$ 24,411	\$ 270,242
Payroll taxes	19,375	3,255	2,006	24,636
Health insurance	10,990	1,846	1,138	13,974
Housing stipends	5,700	--	--	5,700
Other benefits	8,384	1,409	868	10,661
Staff development	218	356	--	574
Staff recruitment	--	--	--	--
Program contract staffing	29,606	--	--	29,606
Program volunteer stipends	3,142	--	--	3,142
Accounting and payroll	--	8,440	--	8,440
Engineering and design	--	--	--	--
The Field Academy - Fiscal Agent	3,750	--	--	3,750
Other professional services	2,710	--	--	2,710
Office and occupancy	2,191	407	189	2,787
In-kind donation expenses	--	13,500	--	13,500
Phone, fax, and internet	4,076	685	422	5,183
Website	--	4,336	--	4,336
Technology	--	969	--	969
Risk management - insurance	10,601	2,878	--	13,479
Evaluation	--	373	--	373
Supplies	6,828	1,555	330	8,713
Food	14,683	861	971	16,515
Postage	293	1,536	343	2,172
Activities	16,105	838	--	16,943
Printing and duplication	78	388	768	1,234
Building materials	1,944	--	--	1,944
Travel and transportation	23,234	1,416	--	24,650
Lodging	383	296	--	679
Program fundraising expenses	219	--	--	219
Dues and subscriptions	360	564	--	924
Interest and fees	64	2,327	--	2,391
Taxes	3,727	--	--	3,727
Depreciation	6,342	--	--	6,342
Vehicles	2,753	--	--	2,753
Bad debt	--	--	--	--
DREAM gear purchases	7,457	--	--	7,457
Total Functional Expenses	\$ 391,433	\$ 87,846	\$ 31,446	\$ 510,725

THE DREAM PROGRAM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2011**

	Supporting Services			
	Program Services	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 303,565	\$ 53,643	\$ 26,974	\$ 384,182
Payroll taxes	26,154	4,622	2,324	33,100
Health insurance	20,706	3,659	1,840	26,205
Housing stipends	8,700	--	--	8,700
Other benefits	7,252	1,281	645	9,178
Staff development	231	842	--	1,073
Staff recruitment	--	35	--	35
Program contract staffing	--	--	--	--
Program volunteer stipends	--	--	--	--
Accounting and payroll	--	8,136	--	8,136
Engineering and design	527	--	--	527
The Field Academy - Fiscal Agent	--	--	--	--
Other professional services	615	--	--	615
Office and occupancy	4,279	841	343	5,463
In-kind rent expenses	--	13,500	--	13,500
Phone, fax, and internet	3,736	660	332	4,728
Website	--	290	--	290
Technology	--	505	--	505
Risk management - insurance	10,412	2,321	--	12,733
Evaluation	--	381	--	381
Supplies	5,444	1,316	217	6,977
Food	15,519	1,343	--	16,862
Postage	199	1,186	435	1,820
Activities	12,367	203	--	12,570
Printing and duplication	--	830	415	1,245
Building materials	321	--	--	321
Travel and transportation	20,416	1,990	20	22,426
Lodging	310	--	--	310
Program fundraising expenses	--	--	501	501
Dues and subscriptions	465	538	--	1,003
Interest and fees	391	1,602	--	1,993
Taxes	3,034	--	--	3,034
Depreciation	5,873	--	--	5,873
Vehicles	9,352	1,528	--	10,880
Bad debt	--	--	--	--
DREAM gear purchases	6,896	--	--	6,896
 Total Functional Expenses	 \$ 466,764	 \$ 101,252	 \$ 34,046	 \$ 602,062

THE DREAM PROGRAM, INC.

**STATEMENT OF PROGRAM EXPENSES
For the Year Ended August 31, 2012**

	Program Services			Total
	School-Year Programs	Summer Programs	Camp DREAM	
Salaries and related expenses	\$ 101,073	\$ 38,867	\$ 66,280	\$ 206,220
Payroll taxes	10,284	3,399	5,692	19,375
Health insurance	5,833	1,928	3,229	10,990
Housing stipends	5,700	--	--	5,700
Other benefits	4,449	1,471	2,464	8,384
Staff development	16	--	202	218
Staff recruitment	--	--	--	--
Program contract staffing	24,106	2,500	3,000	29,606
Program volunteer stipends	--	2,242	900	3,142
Accounting and payroll	--	--	--	--
Engineering and design	--	--	--	--
The Field Academy - Fiscal Agent	--	--	3,750	3,750
Other professional services	2,500	--	210	2,710
Office and occupancy	962	344	885	2,191
In-kind rent expenses	--	--	--	--
Phone, fax, and internet	2,163	715	1,198	4,076
Website	--	--	--	--
Technology	--	--	--	--
Risk management - insurance	5,626	1,860	3,115	10,601
Evaluation	--	--	--	--
Supplies	2,747	568	3,513	6,828
Food	9,805	1,844	3,034	14,683
Postage	250	9	34	293
Activities	12,399	2,387	1,319	16,105
Printing and duplication	78	--	--	78
Building materials	--	--	1,944	1,944
Travel and transportation	14,450	5,865	2,919	23,234
Lodging	383	--	--	383
Program fundraising expenses	119	100	--	219
Dues and subscriptions	360	--	--	360
Interest and fees	--	--	64	64
Taxes	--	--	3,727	3,727
Depreciation	6,342	--	--	6,342
Vehicles	1,789	--	964	2,753
Bad debt	--	--	--	--
DREAM gear purchases	7,457	--	--	7,457
Total Program Expenses	\$ 218,891	\$ 64,099	\$ 108,443	\$ 391,433

THE DREAM PROGRAM, INC.

**STATEMENT OF PROGRAM EXPENSES
For the Year Ended August 31, 2011**

	Program Services			Total
	School-Year Programs	Summer Programs	Camp DREAM	
Salaries and related expenses	\$ 148,590	\$ 69,169	\$ 85,806	\$ 303,565
Payroll taxes	12,802	5,960	7,392	26,154
Health insurance	10,135	4,718	5,853	20,706
Housing stipends	7,500	--	1,200	8,700
Other benefits	3,550	1,652	2,050	7,252
Staff development	125	21	85	231
Staff recruitment	--	--	--	--
Program contract staffing	--	--	--	--
Program volunteer stipends	--	--	--	--
Accounting and payroll	--	--	--	--
Engineering and design	--	--	527	527
The Field Academy - Fiscal Agent	--	--	--	--
Other professional services	--	--	615	615
Office and occupancy	1,891	880	1,508	4,279
In-kind rent expenses	--	--	--	--
Phone, fax, and internet	1,829	851	1,056	3,736
Website	--	--	--	--
Technology	--	--	--	--
Risk management - insurance	5,097	2,372	2,943	10,412
Evaluation	--	--	--	--
Supplies	1,639	720	3,085	5,444
Food	7,813	2,127	5,579	15,519
Postage	107	19	73	199
Activities	9,678	2,245	444	12,367
Printing and duplication	--	--	--	--
Building materials	--	--	321	321
Travel and transportation	9,631	5,474	5,311	20,416
Lodging	310	--	--	310
Program fundraising expenses	--	--	--	--
Dues and subscriptions	430	--	35	465
Interest and fees	176	--	215	391
Taxes	--	--	3,034	3,034
Depreciation	5,873	--	--	5,873
Vehicles	4,963	1,959	2,430	9,352
Bad debt	--	--	--	--
DREAM gear purchases	6,896	--	--	6,896
Total Program Expenses	\$ 239,035	\$ 98,167	\$ 129,562	\$ 466,764