THE DREAM PROGRAM, INC.

Executive Director's Report

Financial Statements
Year Ended December 31, 2004

THE DREAM PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
DECEMBER 31, 2004

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 82,465
Temporarily restricted contributions receivable	83,000
Accounts receivable	10,092
Total current assets	175,557
LONG-TERM ASSETS:	
Equipment	5,500
Land	100,000
Accumulated depreciation	(550)
Total property and equipment, net	104,950
Cash restricted for college accounts	272
Other temporarily restricted assets	84,275
Total long-term assets	189,497
TOTAL ASSETS	$ 365,054
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of long-term debt	$ 4,387
Accounts payable	4,487
Total current liabilities	8,874
LONG-TERM LIABILITIES:	
Long-term debt minus current portion	44,874
Total long-term liabilities	44,874
Total liabilities	53,748
NET ASSETS:	
Net assets, beginning of year	151,259
Unrestricted net income	69,735
Temporarily restricted net income	90,311
Total net assets	311,306
TOTAL LIABILITIES AND NET ASSETS	$ 365,054

See notes to financial statements.

THE DREAM PROGRAM, INC.

STATEMENT OF ACTIVITIES (UNAUDITED)
YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Contributions			
Government	$ -	$ 100,100	$ 100,100
Foundations	12,000	51,704	63,704
Companies	660	-	660
Organizations	275	25,000	25,275
Individuals	76,023	16,595	92,619
Fees	70,419	-	70,419
Investment income	307	-	307
Sales to public	6,487	-	6,487
Fundraising events	3,906	-	3,906
Net assets released from restrictions:			
Satisfaction of program restrictions	103,088	(103,088)	-
Total revenues	273,165	90,311	363,477
FUNCTIONAL EXPENSES:			
Program Services:			
School-year programs	82,909	-	82,909
Summer programs	33,196	-	33,196
Camp DREAM	48,333	-	48,333
Total program services	164,439	-	164,439
Supporting Services:			
General and administrative	26,170	-	26,170
Fundraising	12,820	-	12,820
Total supporting services	38,991	-	38,991
Total functional expenses	203,430	-	203,430
TOTAL INCREASE (DECREASE) IN NET ASSETS	69,735	90,311	160,047
NET ASSETS, BEGINNING OF YEAR	41,317	109,942	151,259
NET ASSETS, END OF YEAR	$ 111,052	$ 200,253	$ 311,306

See notes to financial statements.

THE DREAM PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)

YEAR ENDED DECEMBER 31, 2004

	Program Services				Supporting Services			
	School-Year Programs	Summer Programs	Camp DREAM	Total	General and Administrative	Fundraising	Total	Total Expenses
FUNCTIONAL EXPENSES:								
Salaries and related expenses	$ 26,000	$ 25,525	$ 13,900	$ 65,425	$ 6,000	$ 9,000	$ 15,000	$ 80,425
Payroll taxes	1,989	1,989	949	4,927	459	689	1,148	6,074
Health insurance	3,074	946	1,300	5,320	709	1,064	1,773	7,093
Housing stipends	5,250	-	6,275	11,525	4,520	1,295	5,815	17,340
Other benefits	314	307	150	772	73	109	181	953
Staff development	1,968	10	554	2,533	436	341	777	3,309
Staff recruitment	-	-	-	-	100	-	100	100
Legal	-	-	-	-	1,605	-	1,605	1,605
Accounting and payroll	-	-	-	-	2,258	-	2,258	2,258
Engineering and design	-	-	8,200	8,200	-	-	-	8,200
Other professional services	-	-	1,851	1,851	-	-	-	1,851
Office and occupancy	90	-	554	644	750	-	750	1,394
Phone, fax, and internet	-	-	207	207	890	-	890	1,097
Website	20	-	-	20	440	-	440	460
Technology	-	-	-	-	2,597	-	2,597	2,597
Marketing	1,077	-	-	1,077	-	-	-	1,077
Risk management	9,238	-	677	9,914	1,500	-	1,500	11,414
Evaluation	4,000	-	-	4,000	-	-	-	4,000
Supplies	4,014	1,022	3,401	8,437	1,060	97	1,158	9,594
Food	3,496	1,413	1,666	6,575	616	-	616	7,191
Postage	-	-	-	-	511	226	737	737
Printing and duplication	88	19	16	122	857	-	857	979
Building materials	-	-	1,555	1,555	-	-	-	1,555
Activities	3,138	582	-	3,720	-	-	-	3,720
Travel and transportation	8,871	1,384	1,684	11,939	89	-	89	12,028
Lodging	1,500	-	-	1,500	256	-	256	1,756
DREAM gear purchases	8,182	-	897	9,078	-	-	-	9,078
Dues and subscriptions	25	-	-	25	333	-	333	358
Interest and fees	27	-	2,719	2,746	111	-	111	2,857
Taxes	-	-	1,780	1,780	-	-	-	1,780
Depreciation	550	-	-	550	-	-	-	550
TOTAL FUNCTIONAL EXPENSES	$ 82,909	$ 33,196	$ 48,333	$ 164,439	$ 26,170	$ 12,820	$ 38,991	$ 203,430

See notes to financial statements.

THE DREAM PROGRAM, INC.

STATEMENT OF CASH FLOWS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (decrease) increase in net assets	$ 160,047
Adjustments to reconcile net (decrease) increase in net assets to net cash (used in) provided by operating activities:	
Depreciation	550
Increase (decrease) in cash and cash equivalents as a result of a change in:	
Advances and other receivables	3,309
Grants receivable	(42,764)
Other temporarily restricted assets	(14,842)
Accounts payable and accrued liabilities	52,874
Net cash used in operating activities	159,174
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(5,500)
Proceeds from sales of investments	-
Purchases of investments	-
Purchase of land	(95,000)
Net cash provided by (used in) investing activities	(100,500)
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	-
INCREASE IN CASH AND CASH EQUIVALENTS	58,674
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,791
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 82,465

See notes to financial statements.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2004

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 2004.

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 estimates.

3. CORRECTIONS

In DREAM's financial statements for year ended December 31, 2003, there were three errors that have been corrected for these financial statements. There were $246.20 in December 2003 credit card charges that were not included as an Account Payable or in the expenses. The Alumni Organization also earned $30.16 in interest that was not recorded. Finally, the Mentoring Partnership of Orange and Windsor County, for which DREAM is a fiscal agent, had $800 less in net assets at year's end that were recorded in the Notes to Financial Statements.

In DREAM's financial statements for year ended December 31, 2003, the following was recorded in the Statement of Financial Position:

CURRENT LIABILITIES	
Current portion of long-term debt	$ -
Employees and volunteers payable	628
Accounts payable	-
Accrued payroll	-
Total current liabilities	$ 628

These figures were in error. The following should have been recorded, with the increased liabilities carried throughout the financial statements:

CURRENT LIABILITIES	
Current portion of long-term debt	$ -
Employees and volunteers payable	628
Accounts payable	246
Accrued payroll	-
Total current liabilities	$ 874

This error results from December credit card charges that were incorrectly omitted. The following expenses should also have been added to the Statement of Functional Expenses:

LOCAL PROGRAMS	
Postage	$ 106
Supplies	8
Total local programs	$ 114
GENERAL AND ADMINISTRATIVE	
Postage	$ 4
Phone, fax, and internet	35
Printing and duplication	82
Total general and administrative	$ 120
FUNDRAISING	
Postage	$ 12
Total fundraising	$ 12
Total expenses	$ 246

3. CORRECTIONS (CONTINUED)

In DREAM's financial statements for year ended December 31, 2003, the following was recorded in the Notes to Financial Statements:

ALUMNI ORGANIZATION	
Net assets, beginning of year	$ 3,450
Revenues	3,769
Expenses	(600)
Net assets, end of year, alumni organization	$ 6,619
MPOW	
Net assets, beginning of year	$ -
Revenues	8,000
Expenses	(1,715)
Net assets, end of year, mpow	$ 6,285

These figures were in error. The following should have been recorded, with the changes carried throughout the financial statements:

ALUMNI ORGANIZATION	
Net assets, beginning of year	$ 3,450
Revenues	3,799
Expenses	(600)
Net assets, end of year, alumni organization	$ 6,649
MPOW	
Net assets, beginning of year	$ -
Revenues	8,000
Expenses	(2,515)
Net assets, end of year, mpow	$ 5,485

These errors have been corrected for the financial statements for year ended December 31, 2004. This document and attached financial statements reflect the required corrections.

4. POLICY CHANGES

DREAM is the fiscal agent of MPOWER YOU (formerly MPOW: the Mentoring Partnership of Orange and Windsor Counties). In DREAM's financial statements for year ended December 31, 2003, DREAM documented its fiscal agent responsibilities in the Notes to Financial Statements but otherwise did not account for MPOWER YOU in the financial statements as a whole. In these financial statements, DREAM accounts for MPOWER YOU, and MPOWER YOU's activities have been retroactively applied to the financial statements for year ended December 31, 2003. The resulting changes for 2003 are as follows:

REVENUES	
Temporarily restricted contributions	
Foundations	$ 4,000
Government	4,000
Total temporarily restricted contributions	$ 8,000

4. POLICY CHANGES (CONTINUED)

EXPENSES	
Local Programs	
Other professional services	$ 800
Staff development	564
Marketing	532
Risk management	196
Food	17
Travel	406
Total local programs expenses	$ 2,515
Net assets	$ 5,485

These changes have been incorporated into the financial statements for year ended December 31, 2004. MPOWER YOU's revenues and expenses in 2004 are included in the attached financial statements.

5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2004:

ACCOUNTS PAYABLE	
Fleet credit card	$ 4,487
Total accounts payable	$ 4,487

Accounts payable to Fleet were accumulated on DREAM's credit card. No payments were overdue.

6. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2004:

LONG-TERM DEBT	
Long-term debt minus current portion	$ 44,874
Current portion of long-term debt	4,387
Total long-term debt	$ 49,261

DREAM's long-term debt is in the form of a bridge loan from Banknorth to finance the purchase of DREAM's camp property until receipt of the grant from the Vermont Housing and Conservation Board.

7. ACCOUNTS RECEIVABLE

TEMPORARILY RESTRICTED CONTRIBUTIONS RECEIVABLE	
Vermont housing and conservation board	$ 83,000
Total temporarily restricted contributions receivable	$ 83,000
OTHER ACCOUNTS RECEIVABLE	
Barre housing authority	$ 6,400
Burlington housing authority	1,600
Winooski housing authority	2,092
Total other accounts receivable	$ 10,092
Total accounts receivable	$ 93,092

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2004:

Property	$ 100,000
Equipment	5,500
Less accumulated depreciation	(550)
Property and equipment, net	$ 104,950

In May of 2004, DREAM purchased a $100,000 property in Fletcher, Vermont. DREAM's equipment is depreciated on a straight-line basis over its useful life.

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	
Vermont housing and conservation board (receivable)	$ 83,000
Vermont agency of human services (armory square program)	16,621
State of vermont (summer lunch program)	563
Compassion capital fund (unspent portion from 2003)	(85)
Total government	$ 100,100
Foundations	
James t. bowse health trust (forest park program)	$ 15,646
Salmon foundation (camp program)	13,500
Byrne foundation (northwoods/hollow drive program)	12,000
Vermont children's trust fund (camp program)	10,558
Total foundations	$ 51,704
Companies	
Chittenden bank (green acres program)	$ 500
Schoor depalma (employee match)	100
Pepsico foundation (employee match)	60
Total companies	$ 660
Organizations	
Mobius (birchwood start-up)	$ 25,000
Total organizations	$ 25,000
Individuals	
Camp dream contributions	$ 16,595
Total individuals	$ 16,595
Total temporarily restricted contributions	$ 194,059
SATISFACTION OF PROGRAM RESTRICTIONS	$(103,088)
Total temporarily restricted revenues, gains, and other support	$ 90,971

9. REVENUES, GAINS, AND OTHER SUPPORT (CONTINUED)

UNRESTRICTED CONTRIBUTIONS	
Foundations	
Donley foundation (operating support)	$ 12,000
Total foundations	$ 12,000
Organizations	
The tabard (general support)	$ 225
Sirius (general support)	50
Total organizations	$ 275
Individuals	
Unrestricted donations received	$ 76,023
Total individuals	$ 76,023
Total unrestricted contributions	$ 88,298
FEES, UNRESTRICTED INCOME	
Housing authorities	
Burlington housing authority (received)	$ 20,800
Burlington housing authority (receivable)	1,600
Winooski housing authority (received)	23,028
Winooski housing authority (receivable)	2,092
Barre housing authority (received)	16,500
Barre housing authority (receivable)	6,400
Total fees, unrestricted income	$ 70,419
UNRESTRICTED INVESTMENT INCOME	
Money market interest	$ 307
Total unrestricted investment income	$ 307
SALES TO PUBLIC, UNRESTRICTED INCOME	
Dream gear	$ 6,487
Total sales to public, unrestricted income	$ 6,487
FUNDRAISING EVENTS	
Local program fundraising events	$ 3,906
Total other unrestricted income	$ 3,906
SATISFACTION OF PROGRAM RESTRICTIONS	
Satisfaction of program restrictions	$ 103,088
Total satisfaction of program restrictions	$ 103,088
Total unrestricted revenues, gains, and other support	$ 272,505
Total revenues, gains, and other support	$ 363,477

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	
School-year programs	$ 8,000
Summer programs	3,000
Camp dream	4,000
General and administrative	6,000
Fundraising	9,000
Total executive director	$ 30,000
PROGRAM DIRECTOR	
School-year programs	$ 18,000
Summer programs	5,000
Camp dream	7,000
Total program director	$ 30,000
SUMMER INTERNS	
Summer programs	$ 17,525
Total summer interns	$ 17,525
CAMP STAFF	
Camp dream	$ 2,900
Total camp staff	$ 2,900
Total school-year programs	$ 26,000
Total summer programs	$ 25,525
Total camp dream	$ 13,900
Total general and administrative	$ 6,000
Total fundraising	$ 9,000
Total salaries	$ 80,425

11. AMERICORPS*VISTA MEMBERS

In addition to paid staff members, DREAM is a sponsoring organization for AmeriCorps*VISTA. In 2004, DREAM held five full-time AmeriCorps*VISTA positions. The AmeriCorps*VISTA 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.

12. INTEREST AND FEES

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

SCHOOL-YEAR PROGRAM	
Local program bank fees	$ 27
Total local programs	$ 27
CAMP DREAM	
Land loan interest	$ 1,821
Land purchase transaction fees	797
Town of fletcher permit fees	82
Camp bank fees	20
Total camp dream	$ 2,719
GENERAL AND ADMINISTRATIVE	
Central office bank fees	$ 75
Central office credit card fees	21
Secretary of state biennial report fee	15
Paypal account verification	(1)
Total general and administrative	$ 111
Total interest and fees	$ 2,857

13. TEMPORARILY RESTRICTED NET ASSETS

DREAM holds temporarily restricted net assets with a total value of $84,546.71 as of December 31, 2004. DREAM has an additional $83,000 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, 2004:

Dakota Salls	$ 100.00
Plus accumulated interest	0.34
Nedra Keenan	175.00
Plus accumulated interest	0.60
Bank fee	(4.00)
Assets temporarily restricted for college savings	$ 271.94
OTHER TEMPORARILY RESTRICTED NET ASSETS	
Local programs	
Mobius (birchwood start-up)	$ 16,667
Total local programs	$ 16,667

13. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

High adventure	
Elm street	$ 4,704
Templeton	11,281
Total high adventure	$ 15,986
Camp dream	$ 50,478
Mpower you	$ 1,145
Total other temporarily restricted net assets	$ 84,275
Total temporarily restricted net assets (non-receivable)	$ 84,547

DREAM has an additional $83,000 in receivable temporarily restricted assets. This entire amount is a grant from the Vermont Housing and Conservation Board in support of DREAM's land purchase in Fletcher, Vermont. The grant is for $100,000 with $17,000 taken off for administration of the conservation easement on the property.

14. LOCAL PROGRAMS

DREAM's local programs had the following net assets as of December 31, 2003:

ELM STREET LOCAL PROGRAM	
Net assets, beginning of year	$ 722
Revenues	1,400
Expenses	(1,904)
Net assets, end of year, elm street local program	$ 218
NORTHWOODS/HOLLOW DRIVE LOCAL PROGRAM	
Net assets, beginning of year	$ 1,088
Revenues	5,333
Expenses	(3,838)
Net assets, end of year, northwoods/hollow drive local program	$ 2,583
BIRCHWOOD LOCAL PROGRAM	
Net assets, beginning of year	$ -
Revenues	1,440
Expenses	(1,443)
Net assets, end of year, birchwood local program	$ (3)
ARMORY SQUARE LOCAL PROGRAM	
Net assets, beginning of year	$ 651
Revenues	5,486
Expenses	(4,215)
Net assets, end of year, armory square local program	$ 1,922

14. LOCAL PROGRAMS (CONTINUED)

FRANKLIN SQUARE LOCAL PROGRAM

Net assets, beginning of year	$ 2,156
Revenues	1,722
Expenses	(2,227)
Net assets, end of year, franklin square local program	$ 1,650

GREEN ACRES LOCAL PROGRAM

Net assets, beginning of year	$ 888
Revenues	297
Expenses	(1,150)
Net assets, end of year, green acres local program	$ 35

FOREST PARK LOCAL PROGRAM

Net assets, beginning of year	$ (14)
Revenues	1,185
Expenses	(1,171)
Net assets, end of year, forest park local program	$ (0)

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	$ 6,374
Revenues	14,937
Expenses	(900)
Net assets, end of year, alumni organization	$ 20,411

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. FISCAL AGENT RESPONSIBILITIES

DREAM serves as the fiscal agent for the MPOWER YOU (formerly the Mentoring Partnership of Orange and Windsor County), a regional partnership in the Upper Valley of Vermont and New Hampshire. MPOWER YOU had the following net assets as of December 31, 2004:

Net assets, beginning of year	$ 5,485
Revenues	-
Expenses	(4,340)
Net assets, end of year, mpower you	$ 1,145