



The DREAM Program, Inc.

FINANCIAL STATEMENTS
AUGUST 31, 2010 and 2009



THE DREAM PROGRAM, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2010 and 2009

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REVIEW REPORT

John W. Davis

CPA, CFP®, CVA

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

Bret L. Hodgdon

CPA, CFP®, CFE

We have reviewed the accompanying statement of financial position of The DREAM Program, Inc. (a nonprofit organization) as of August 31, 2010, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements whose report dated March 29, 2010, expressed an unqualified opinion on those statements.

33 Blair Park Road,

Suite 201

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is to express and opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Williston, Vermont

05495

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

802-878-1963

The financial statements for the year ended were audited by us, and we expressed an unqualified opinion on them in our report dated March 29, 2010, but we have not preformed any auditing procedures since that date.

FAX 802-878-7197

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
June 27, 2011

www.dh-cpa.com

Licensed
VT Accounting Firm
#92-0000343



THE DREAM PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2010 and 2009

	2010 <u>(Reviewed)</u>	2009 <u>(Audited)</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 64,867	\$ 81,671
Accounts receivable		
Trade receivables	82,552	84,670
Pledge receivables	12,318	15,582
Prepaid expenses	<u>18,159</u>	<u>4,125</u>
Total current assets	<u>177,896</u>	<u>186,048</u>
PROPERTY AND EQUIPMENT, net	<u>170,760</u>	<u>173,635</u>
INVESTMENTS		
Founder's CD	--	8,213
Alumni Fund	<u>47,533</u>	<u>44,797</u>
Total investments	<u>47,533</u>	<u>53,010</u>
Total assets	<u>\$ 396,189</u>	<u>\$ 412,693</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	2,274	109
Accrued expenses	4,341	8,161
Accrued payroll	6,191	7,491
Line of credit	<u>25,059</u>	<u>--</u>
Total current liabilities	<u>37,865</u>	<u>15,761</u>
NET ASSETS		
Unrestricted	302,348	284,931
Temporarily restricted	11,575	68,618
Permanently restricted	<u>44,401</u>	<u>43,383</u>
Total net assets	<u>358,324</u>	<u>396,932</u>
Total liabilities and net assets	<u>\$ 396,189</u>	<u>\$ 412,693</u>

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

THE DREAM PROGRAM, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2010 (With Comparative Totals For 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	2010 (Reviewed) <u>Totals</u>	2009 (Audited) <u>Totals</u>
SUPPORT AND REVENUE					
Government	\$ --	\$ 249,002	\$ --	249,002	234,398
Foundations	25,840	65,672	1,018	92,530	40,600
Companies	3,870	5,448	--	9,318	54,419
Organizations	806	21,003	--	21,809	19,867
Housing authorities	104,250	--	--	104,250	84,740
United Way	--	26,024	--	26,024	18,500
Individuals	<u>98,018</u>	<u>39,045</u>	<u>--</u>	<u>137,063</u>	<u>103,711</u>
Total support and revenues	<u>232,784</u>	<u>406,194</u>	<u>1,018</u>	<u>639,996</u>	<u>556,235</u>
OTHER INCOME					
Investment income	61	3,378	--	3,439	1,598
Sales to public	1,016	--	--	1,016	1,106
Fundraising events	--	--	--	--	2,107
In-kind contributions	<u>13,500</u>	<u>--</u>	<u>--</u>	<u>13,500</u>	<u>15,400</u>
Total other income	<u>14,577</u>	<u>3,378</u>	<u>--</u>	<u>17,955</u>	<u>20,211</u>
Net assets released from restrictions - satisfaction of donor requirements	<u>466,615</u>	<u>(466,615)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total support, revenues and reclassifications	<u>713,976</u>	<u>(57,043)</u>	<u>1,018</u>	<u>657,951</u>	<u>576,446</u>

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

THE DREAM PROGRAM, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2010 (With Comparative Totals For 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 (Reviewed) Totals</u>	<u>2009 (Audited) Totals</u>
OPERATING EXPENSES					
Program services					
School-Year programs	\$ 321,216	\$ --	\$ --	321,216	\$ 164,267
Summer programs	94,691	--	--	94,691	70,874
Camp DREAM	<u>130,193</u>	<u>--</u>	<u>--</u>	<u>130,193</u>	<u>124,470</u>
Total program services	<u>546,100</u>	<u>--</u>	<u>--</u>	<u>546,100</u>	<u>359,611</u>
Supporting services					
Management and general	120,019	--	--	120,019	111,452
Fundraising	<u>30,440</u>	<u>--</u>	<u>--</u>	<u>30,440</u>	<u>26,246</u>
Total supporting services	<u>150,459</u>	<u>--</u>	<u>--</u>	<u>150,459</u>	<u>137,698</u>
Total operating expenses	<u>696,559</u>	<u>--</u>	<u>--</u>	<u>696,559</u>	<u>497,309</u>
Change in net assets	17,417	(57,043)	1,018	(38,608)	79,137
NET ASSETS, beginning	<u>284,931</u>	<u>68,618</u>	<u>43,383</u>	<u>396,932</u>	<u>317,795</u>
NET ASSETS, ending	<u>\$ 302,348</u>	<u>\$ 11,575</u>	<u>\$ 44,401</u>	<u>\$ 358,324</u>	<u>\$ 396,932</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, 2010**

	Program Services			Supporting Services		Total
	School-Year Programs	Summer Programs	Camp DREAM	General and Administrative	Fundraising	
Salaries and related expenses	\$ 178,146	\$ 69,355	\$ 84,388	\$ 62,777	\$ 24,441	\$ 419,107
Payroll taxes	13,680	5,326	6,481	4,821	1,877	32,185
Health insurance	15,748	6,132	7,461	5,550	2,161	37,052
Housing stipends	8,500	--	1,650	4,500	--	14,650
Other benefits	2,295	894	1,087	809	315	5,400
Staff development	841	--	--	504	--	1,345
Staff recruitment	100	--	--	75	--	175
Legal	--	--	--	150	--	150
Accounting and payroll	--	--	--	10,339	--	10,339
Engineering and design	--	--	155	--	--	155
Other professional services	142	--	300	--	--	442
Office and occupancy	2,342	861	1,609	953	--	5,765
In-kind rent expenses	--	--	--	13,500	--	13,500
Phone, fax, and internet	2,161	841	1,024	761	297	5,084
Website	50	--	--	--	--	50
Technology	--	--	--	760	--	760
Risk management - insurance	10,889	4,240	5,159	4,555	777	25,620
Evaluation	4,521	--	--	--	--	4,521
Supplies	2,116	1,038	4,273	1,979	107	9,513
Food	5,693	2,046	6,992	1,223	--	15,954
Postage	167	18	40	1,078	266	1,569
Activities	24,981	724	781	113	--	26,599
Printing and duplication	21	2	6	1,448	--	1,477
Travel and transportation	23,948	3,214	4,281	52	20	31,515
Lodging	4,576	--	--	268	--	4,844
Program fundraising expenses	--	--	--	--	179	179
Dues and subscriptions	375	--	197	199	--	771
Interest and fees	113	--	444	940	--	1,497
Taxes	--	--	3,060	--	--	3,060
Depreciation	5,375	--	--	--	--	5,375
Vehicles	6,952	--	--	--	--	6,952
Bad debt	--	--	--	2,665	--	2,665
DREAM gear purchases	7,484	--	805	--	--	8,289
Total Functional Expenses	\$ 321,216	\$ 94,691	\$ 130,193	\$ 120,019	\$ 30,440	\$ 696,559

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	\$ 54,071	\$ 89,033	\$ 62,803	\$ 21,984	\$ 327,624
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	--	2,558
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	2,431	819	4,907	569	162	8,888
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	--	6,316
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	553	--	--	4,779	--	5,332
Total Functional Expenses	\$ 164,267	\$ 70,874	\$ 124,470	\$ 111,452	\$ 26,246	\$ 497,309

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, 2010 and 2009

	2010 <u>(Reviewed)</u>	2009 <u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (38,608)	\$ 79,137
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	5,375	3,588
Donated property and equipment	--	(1,900)
Net realized/unrealized loss on investments	5,477	(1,573)
Changes in:		
Trade receivables	2,118	(9,578)
Pledge receivables	3,264	(15,582)
Prepaid expenses	(14,034)	(97)
Accounts payable	2,165	(4,522)
Accrued expenses	(3,820)	650
Accrued payroll	<u>(1,300)</u>	<u>2,532</u>
Net cash provided (used) by operating activities	<u>(39,363)</u>	<u>52,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(2,500)</u>	<u>(39,059)</u>
Net cash used by investing activities	<u>(2,500)</u>	<u>(39,059)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit proceeds	<u>25,059</u>	<u>--</u>
Net cash provided by financing activities	<u>25,059</u>	<u>--</u>
Net change in cash	(16,804)	13,596
Cash, beginning of the year	<u>81,671</u>	<u>68,075</u>
Cash, end of the year	<u>\$ 64,867</u>	<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, 2010 and 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: 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, 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, 2010 and 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 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, 2010 and 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.

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, 2010 and 2009

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

Fair Value Measurements

FASB ASC Topic 820 provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with FASB ASC 820-10, the Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The Organization only uses Level 1 of the fair value hierarchy under ASC Topic 820 as described below:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Common Stocks, corporate bonds and U.S. Government Securities:

Valued at the composite closing price as reported on the active market on which the individual securities are traded.

Mutual Funds:

Valued using the Net Asset Value (NAV) of shares held by the Organization at year-end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is quoted in an active market.

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.

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 DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009**

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

Net asset classifications (continued)

The State of Vermont adopted UPMIFA effective May 5, 2009. The Organization has adopted the Codified FASB Accounting Standards 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 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.

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.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

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

Net asset classifications (continued)

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.

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, 2007. 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, 2010 and 2009.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 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 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 year ended August 31, 2009, have been reclassified to conform to the presentation of the August 31, 2010 amounts. The reclassifications have no effect on net assets for the year ended August 31, 2009.

Subsequent events

Subsequent events have been evaluated through June 27, 2011 which is the date the financial statements were issued.

Note 2. Trade Receivables

Trade receivables consisted of the following at August 31:

	<u>2010</u>	<u>2009</u>
AmeriCorps grant reimbursement	\$ 59,647	\$ 77,607
Highgate apartments	--	3,000
Maloney Properties	15,000	--
Madison Park Village IV LP	3,750	--
Vermont Student Assistance Corporation	--	64
Winooski Housing Authority	2,092	2,092
Burlington Housing Authority	1,600	1,600
St. Albans Teen Center	--	64
Other	463	243
Total trade receivables	\$ 82,552	\$ 84,670

Note 3. Pledge Receivables

Pledge receivables consisted of the following at August 31:

	<u>2010</u>	<u>2009</u>
United Way of Chittenden County	\$ 11,068	\$ 9,332
United Way of Rutland County	1,250	1,250
Adams Fund (Beth Family Foundation)	--	5,000
Total pledge receivables	\$ 12,318	\$ 15,582

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 4. Property and Equipment

Property and equipment consisted of the following at August 31:

	Useful Life (Years)	<u>2010</u>	<u>2009</u>
Building	39	\$ 53,250	\$ 53,250
Land improvements	15	--	10,731
Vehicles	5	20,898	18,398
Land	--	<u>110,731</u>	<u>100,000</u>
Total property and equipment		184,879	182,379
Less accumulated depreciation		<u>(14,119)</u>	<u>(8,744)</u>
Property and equipment, net		<u>\$ 170,760</u>	<u>\$ 173,635</u>

Depreciation expense was \$5,375 and \$3,588 for the years ended August 31, 2010 and 2009, 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>2010</u>	<u>2009</u>
Unrestricted		
Founder's Certificate of Deposit	\$ --	\$ 8,213
Permanently restricted		
Vermont Community Foundation	<u>47,533</u>	<u>44,797</u>
Total investments	<u>\$ 47,533</u>	<u>\$ 53,010</u>

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

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 53,010	\$ 51,438
Total gains or (losses) included in statement of activities and changes in net assets	3,394	1,572
Purchases, sales, issuances, and settlements (net)	<u>(8,871)</u>	<u>--</u>
Ending balance	<u>\$ 47,533</u>	<u>\$ 53,010</u>

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 5. Investments (continued)

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>2010</u>	(Level 1) <u>2009</u>
Balance, beginning of year	\$ 8,213	\$ 8,055
Interest earned	16	158
Transfers	<u>(8,229)</u>	<u>--</u>
Balance, end of year	<u>\$ --</u>	<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 (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:

	(Level 1) <u>2010</u>	(Level 1) <u>2009</u>
Balance, beginning of year	\$ 44,797	\$ 43,383
Contributions	1,018	--
Interest earned	138	19
Dividends earned	855	250
Realized gains (losses)	312	(1,301)
Unrealized gains	2,900	2,648
Distributions	(1,660)	--
Management fees	<u>(827)</u>	<u>(202)</u>
Balance, end of year	<u>\$ 47,533</u>	<u>\$ 44,797</u>

The historical dollar value of \$43,383 and \$44,401 (including 2010 contributions of \$1,018) are included in permanently restricted net assets at August 31, 2010 and 2009, respectively. Aggregate earnings of \$3,132 and \$1,414, which are in excess of the historical dollar value, are included in temporarily restricted net assets at August 31, 2010 and 2009, respectively.

THE DREAM PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

Note 6. Temporarily Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Anna-Maria Moggion Foundation	\$ 5,833	\$ --
Vermont Mentors Grant	--	10,400
The Permanent Fund	--	4,400
The Ben & Jerry's Foundation	2,000	41,347
United Way of Chittenden County	--	9,332
United Way of Rutland County	--	1,250
Net earnings on endowment funds	3,132	1,414
Other temporary restrictions	<u>610</u>	<u>475</u>
Total temporary restricted net assets	<u>\$ 11,575</u>	<u>\$ 68,618</u>

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, 2010 and 2009. 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, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning	\$ 8,213	\$ 1,414	\$ 43,383
Interest and dividends net of expenses	16	166	--
Net realized and unrealized gains	<u>--</u>	<u>3,212</u>	<u>--</u>
Net return on endowment assets	16	3,378	--
Donor contributions	--	--	1,018
Amounts appropriated for expenditure	<u>(8,229)</u>	<u>(1,660)</u>	<u>--</u>
Change in endowment assets	<u>(8,213)</u>	<u>1,718</u>	<u>1,018</u>
Endowment net assets, ending	<u>\$ --</u>	<u>\$ 3,132</u>	<u>\$ 44,401</u>

THE DREAM PROGRAM, INC.

**NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009**

Note 8. Changes in Endowment Net Assets (continued)

Changes in endowment net assets for the year ending August 31, 2009 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Endowment net assets, beginning	\$ 8,055	\$ --	\$ 43,383
Interest and dividends net of expenses	158	67	--
Net realized and unrealized gains	<u>--</u>	<u>1,347</u>	<u>--</u>
Change in endowment assets	<u>158</u>	<u>1,414</u>	<u>--</u>
Endowment net assets, ending	<u>\$ 8,213</u>	<u>\$ 1,414</u>	<u>\$ 43,383</u>

Note 9. 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.

Note 10. AmeriCorps Members

In addition to paid staff members, DREAM is an AmeriCorps State Program member. DREAM maintains approximately 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 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.