

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2009



SCHWARTZ & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

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Independent Auditors' Report

Board of Directors
"I Have A Dream" Foundation ® (National)
New York, New York

We have audited the accompanying statement of financial position of "I Have A Dream" Foundation ® (National), as of August 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the "I Have A Dream" Foundation ® (National) financial statements and, in our report dated January 13, 2009, we expressed an unqualified opinion on those financial statements.

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 "I Have A Dream" Foundation ® (National), as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Schwartz & Company, LLP

Bellmore, New York
January 13, 2010

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2008)

	ASSETS	
	2009	2008
Assets		
Cash and cash equivalents	\$ 836,462	\$ 739,596
Accounts receivable, net of allowance of \$50,000 in 2009	253,325	121,110
Due from affiliate, net of allowance of \$32,096 in 2008	7,013	-
Prepayments and other assets	3,895	4,701
Property and equipment, net of accumulated depreciation of \$16,599 and \$12,074, respectively	9,247	13,771
Total assets	\$ 1,109,942	\$ 879,178
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 82,460	\$ 43,022
Total liabilities	82,460	43,022
Net Assets		
Unrestricted	1,027,482	832,643
Temporarily restricted	-	3,513
Total net assets	1,027,482	836,156
Total liabilities and net assets	\$ 1,109,942	\$ 879,178

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2009
 (WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total 2009</u>	<u>2008</u>
Revenue, gains and other support				
Contributions	\$ 1,611,631	\$ 230,000	\$1,841,631	\$ 1,331,228
Government grants	61,575	-	61,575	7,235
Special events, net of costs of \$234,872	243,412	-	243,412	-
Licensing fees	90,750	-	90,750	95,250
Interest and dividends	3,900	-	3,900	11,425
Other	12,571	-	12,571	14,915
Net assets released from restrictions	<u>233,513</u>	<u>(233,513)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>2,257,352</u>	<u>(3,513)</u>	<u>2,253,839</u>	<u>1,460,053</u>
Expenses				
Program services	1,630,121	-	1,630,121	1,022,240
Management and general	215,830	-	215,830	217,131
Fundraising and development	<u>216,562</u>	<u>-</u>	<u>216,562</u>	<u>116,547</u>
Total expenses	<u>2,062,513</u>	<u>-</u>	<u>2,062,513</u>	<u>1,355,918</u>
Change in net assets	194,839	(3,513)	191,326	104,135
Net assets - beginning of year	<u>832,643</u>	<u>3,513</u>	<u>836,156</u>	<u>732,021</u>
Net assets - end of year	<u>\$ 1,027,482</u>	<u>\$ -</u>	<u>\$ 1,027,482</u>	<u>\$ 836,156</u>

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2008)

	Program Services	Management and General	Fundraising and Development	2009	Total 2008
Salaries and wages	\$ 835,053	\$ 102,311	\$ 138,079	\$ 1,075,443	\$ 776,117
Professional fees	431,359	28,515	24,262	484,136	168,829
Payroll taxes and employee benefits	132,790	14,366	18,059	165,215	123,766
Occupancy expenses	87,990	7,753	17,722	113,465	99,057
Bad debt expense	-	50,000	-	50,000	32,096
Travel	45,141	2,237	1,717	49,095	38,381
Conference hosting costs	35,059	-	-	35,059	37,295
Telephone and internet	17,686	1,449	1,611	20,746	16,392
Supplies	10,409	1,117	2,135	13,661	11,176
Equipment expenses	10,013	594	1,965	12,572	13,071
Fees	2,442	1,250	7,204	10,896	7,407
Postage and shipping	4,003	2,558	1,203	7,764	7,200
Insurance	5,086	458	1,000	6,544	7,005
Printing and publications	5,218	215	897	6,330	3,421
Depreciation	4,111	191	223	4,525	1,937
Dues and subscriptions	2,485	475	26	2,986	4,729
Staff recruitment and development	200	2,126	43	2,369	6,555
Miscellaneous	1,076	215	416	1,707	1,484
	<u>\$ 1,630,121</u>	<u>\$ 215,830</u>	<u>\$ 216,562</u>	<u>\$ 2,062,513</u>	<u>\$ 1,355,918</u>
Total functional expenses					

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2009
 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2008)

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 191,326	\$ 104,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,525	1,937
(Increase) decrease in assets:		
Accounts receivable	(132,215)	104,291
Due from affiliate, net	(7,013)	41,009
Prepayments and other assets	805	2,761
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>39,438</u>	<u>(38,795)</u>
Net cash provided by operating activities	<u>96,866</u>	<u>215,338</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(13,378)</u>
Net cash used in investing activities	<u>-</u>	<u>(13,378)</u>
Net change in cash and cash equivalents	96,866	201,960
Cash and cash equivalents - beginning of year	<u>739,596</u>	<u>537,636</u>
Cash and cash equivalents - end of year	<u><u>\$ 836,462</u></u>	<u><u>\$ 739,596</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 1: Organization

"I Have A Dream" Foundation ® (National), (the "Foundation") is a not-for-profit organization established to promote and coordinate the development of the "I Have A Dream" Foundation ® program across the United States.

The "I Have A Dream" program motivates and empowers children from low-income communities to reach their educational and career goals by providing a long-term program of mentoring, tutoring and enrichment and tuition assistance for higher education.

The Foundation works to start new "I Have A Dream" programs and provides resources to these affiliated programs and foundations. The Foundation establishes policies and guidelines under which they operate, collects and disseminates information from and to them, provides resources and technical assistance to assist them in their efforts, and promotes sharing of best practices among them. The Foundation also provides information and guidance to other organizations and civic groups seeking to establish educational programs for children in low-income communities.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America for not-for-profit organizations. These financial statements do not include programs and foundations affiliated with the Foundation.

Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the changes in each of those classes of net assets be displayed in a statement of activities.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 2: Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Income from investments, including realized and unrealized gains and losses, dividends and interest, are reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions. These classes are defined as follows:

Permanently Restricted - net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts, money market accounts and certificates of deposit. The Foundation considers all highly liquid investments purchased with an original maturity of three months or less as cash equivalents.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed. The Foundation uses the allowance method to account for uncollectible accounts receivable balances. Under the allowance method, if needed, an estimate of uncollectible balances is made based upon specific identification of account balances that are considered uncollectible. Factors used to establish the allowance include a review of outstanding receivable balances, existing economic conditions and whether the balance is significant. When the receivable has been deemed uncollectible after attempts have been made to collect it, the amount is written off.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 2: Summary of Significant Accounting Policies (continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional.

Investments

The Foundation receives contributions from donors in the form of marketable securities. Investments in debt and equity securities with readily determinable fair values are reported at their fair values. Realized gains and losses on sales of securities are determined on the specific identification method and are included in earnings in the accompanying statement of activities. Net investment income is recorded as unrestricted or restricted in accordance with donor intent.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value on the date of the gift. Property and equipment are depreciated using the straight-line method over the estimated useful lives of each of the assets.

Revenue Recognition

Unconditional contributions are recorded as revenues when received unless a donor makes an unconditional promise to give, then the Foundation recognizes the promise to give when made by the donor. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

Revenue from government contracts and grants is recognized when costs are incurred or other services are performed as required by contract or grant. Income from licensing fees is recognized in accordance with the license agreements with the affiliated "I Have A Dream" programs and foundations.

For the year ended August 31, 2009, revenues from special events are net of related expenses including event planning, venue costs, food and entertainment, travel, printing and postage expenses and photography. No special events activities took place during the year ended August 31, 2008.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2009
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 2: Summary of Significant Accounting Policies (continued)

Donated Goods and Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by donors possessing those skills and which would be typically purchased if not provided by donation. Donated services are recorded at fair market value at the time services are provided. Also, donated materials are recorded at fair market value at the date of gift. During the years ended August 31, 2009 and 2008, the Foundation received donated goods and services of \$55,068 and \$73,319, respectively, of which approximately \$49,443 and \$62,500, respectively, were for legal and accounting fees. These amounts are recognized as revenues and expenses in the accompanying statement of activities.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services using reasonable ratios determined by management.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for the year ended August 31, 2009.

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

Comparative Financial Information

The financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended August 31, 2008 from which the summarized information was derived.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2009
 (WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 3: Property and Equipment

As of August 31, 2009 and 2008, property and equipment consisted of the following:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures and equipment	\$ 25,846	\$ 25,846
Less accumulated depreciation	<u>16,599</u>	<u>12,074</u>
Property and equipment, net	<u>\$ 9,247</u>	<u>\$ 13,771</u>

Depreciation expense for the years ended August 31, 2009 and 2008 amounted to \$4,525 and \$1,937, respectively.

Note 4: Concentration of Credit Risk

Financial instruments, which subject the Foundation to a concentration of credit risk, consist of cash and cash equivalents. The Foundation maintains its cash and cash equivalents in a major financial institution. From time to time balances may exceed the Federal Deposit Insurance Corporation limits.

One individual accounts for 69% of the accounts receivable balance at August 31, 2009.

Note 5: Line of Credit

The Foundation has a revolving line of credit with a bank in the amount of \$150,000 with an interest rate of 3.75% and 5.59% in 2009 and 2008, respectively. This line of credit is unsecured and is renewed annually. As of August 31, 2009 and 2008, there were no outstanding balances.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2009
 (WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008)

Note 6: Temporarily Restricted Net Assets

As of August 31, 2009 and 2008, temporarily restricted net assets consisted of the following:

	2009	2008
Purpose restricted:		
H.N. and Frances C. Berger Foundation	-	3,513

Note 7: Commitments and Contingencies

The Foundation and the "I Have A Dream" Foundation - New York ("NY Foundation"), as co-tenants, rent office space. The monthly rent is \$8,919. For the four months from September 1, 2008 through December 31, 2008, the Foundation's share of the rent expense is 72%. For the eight months from January 1, 2009 through August 31, 2009, the Foundation's share of the rent expense is 76%. Rental expense allocation is based on the number of employees and utilization of rented space. The Foundation's rent expense for the years ended August 31, 2009 and 2008 is \$108,091 and \$93,773, respectively. The organization pays rent on a month to month basis.

Government funded activities are subject to audit by the applicable government granting agency. As of August 31, 2009 and 2008, there were no material obligations as a result of any such audits. The Foundation's management believes that any unaudited activities will not result in any material obligations.

Note 8: Related Party Transactions

During the years ended August 31, 2009 and 2008, the Foundation recognized \$90,750 and \$95,250, respectively in dues from licensees administering "I Have A Dream" programs.

The Foundation shares various rent and office expenses with the NY Foundation. The Foundation's share of these expenses through December 31, 2008 is 72%. Effective January 1, 2009, the Foundation's share of these expenses increased to 76%. During the years ended August 31, 2009 and 2008, the Foundation recognized approximately \$55,000 for each year in shared rent and office expenses due from this affiliate. As of August 31, 2009 and 2008, a receivable balance of \$313 and \$32,096 is due from the NY Foundation. The 2008 balance was fully reserved for and included in the allowance for doubtful accounts.