

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2010



SCHWARTZ & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

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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, 2010, 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, 2010, 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, 2010, 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.



Bellmore, New York
December 27, 2010

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2009)

	ASSETS	
	2010	2009
Assets		
Cash	\$ 427,275	\$ 836,462
Accounts receivable, net of allowance of \$50,000 in 2009	272,225	253,325
Due from affiliate	439	7,013
Prepayments and other assets	515	3,895
Property and equipment, net of accumulated depreciation of \$20,987 and \$16,599, respectively	4,859	9,247
Total assets	\$ 705,313	\$ 1,109,942
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 58,592	\$ 82,460
Total liabilities	58,592	82,460
Net Assets		
Unrestricted	646,721	1,027,482
Total net assets	646,721	1,027,482
Total liabilities and net assets	\$ 705,313	\$ 1,109,942

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)

	<u>Unrestricted</u>	<u>Total</u>	
		2010	2009
Revenue, gains and other support			
Contributions	\$ 832,311	\$ 832,311	\$ 1,841,631
Government grants	154,641	154,641	61,575
Special events, net of costs of \$121,909	403,459	403,459	243,412
Licensing fees	79,500	79,500	90,750
Interest and dividends	-	-	3,900
Other	<u>16,886</u>	<u>16,886</u>	<u>12,571</u>
Total revenue, gains and other support	<u>1,486,797</u>	<u>1,486,797</u>	<u>2,253,839</u>
 Expenses			
Program services	1,453,944	1,453,944	1,630,121
Management and general	178,108	178,108	215,830
Fundraising and development	<u>235,506</u>	<u>235,506</u>	<u>216,562</u>
Total expenses	<u>1,867,558</u>	<u>1,867,558</u>	<u>2,062,513</u>
 Change in net assets	(380,761)	(380,761)	191,326
 Net assets - beginning of year	<u>1,027,482</u>	<u>1,027,482</u>	<u>836,156</u>
 Net assets - end of year	<u>\$ 646,721</u>	<u>\$ 646,721</u>	<u>\$ 1,027,482</u>

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2009)

	Program Services	Management and General	Fundraising and Development	2010	Total 2009
	\$	\$	\$	\$	\$
Salaries and wages	846,947	105,676	153,417	1,106,040	1,075,443
Professional fees	172,688	30,278	29,498	232,464	484,136
Payroll taxes and employee benefits	138,209	16,924	21,154	176,287	165,215
Occupancy expenses	87,135	10,670	13,337	111,142	113,465
Supplies and curricula	96,303	828	543	97,674	13,661
Conference hosting costs	41,272	-	-	41,272	35,059
Travel	27,710	5,088	1,183	33,981	49,095
Telephone and internet	18,450	1,573	1,510	21,533	20,746
Fees	2,407	1,216	6,858	10,481	10,896
Equipment expenses	5,774	723	600	7,097	12,572
Insurance	5,380	659	823	6,862	6,544
Postage and shipping	2,759	1,959	1,638	6,356	7,764
Printing and publications	936	543	2,967	4,446	6,330
Depreciation	3,897	218	273	4,388	4,525
Dues and subscriptions	2,056	475	1,705	4,236	2,986
Staff recruitment and development	2,021	1,163	-	3,184	2,369
Miscellaneous	-	115	-	115	1,707
Bad debt expense	-	-	-	-	50,000
	<u>\$ 1,453,944</u>	<u>\$ 178,108</u>	<u>\$ 235,506</u>	<u>\$ 1,867,558</u>	<u>\$ 2,062,513</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, 2010
 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (380,761)	\$ 191,326
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,388	4,525
(Increase) decrease in assets:		
Accounts receivable, net	(18,900)	(132,215)
Due from affiliate	6,574	(7,013)
Prepayments and other assets	3,380	805
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(23,868)	39,438
Net cash provided by (used in) operating activities	(409,187)	96,866
Net change in cash	(409,187)	96,866
Cash - beginning of year	836,462	739,596
Cash - end of year	\$ 427,275	\$ 836,462
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

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

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification ("FASB ASC") 105, *Generally Accepted Accounting Principles*, which establishes the FASB ASC as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Foundation has updated references to GAAP in its financial statements issued for the year ended August 31, 2010. The adoption of FASB ASC 105 did not impact the Foundation's financial position or statement of activities.

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.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

Note 2: Summary of Significant Accounting Policies (continued)

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.

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.

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, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

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 capitalized 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 years ended August 31, 2010 and 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.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

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, 2010 and 2009, the Foundation received donated goods and services of \$164,838 and \$55,068, respectively, of which approximately \$72,304 and \$49,443, respectively were for legal fees. These legal fees were used to provide support for programs, fundraising and development and management and general services. 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, 2010.

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, 2009 from which the summarized information was derived.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2010
 (WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

Note 3: Property and Equipment

As of August 31, 2010 and 2009, property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture, fixtures and equipment	\$ 25,846	\$ 25,846
Less accumulated depreciation	<u>20,987</u>	<u>16,599</u>
Property and equipment, net	<u>\$ 4,859</u>	<u>\$ 9,247</u>

Depreciation expense for the years ended August 31, 2010 and 2009 amounted to \$4,388 and \$4,525, respectively.

Note 4: Concentration of Credit Risk

Financial instruments, which subject the Foundation to a concentration of credit risk, consist of cash. The Foundation maintains its cash in a major financial institution. From time to time balances may exceed the Federal Deposit Insurance Corporation limit of \$250,000.

One individual donor accounts for 59% of the accounts receivable balance at August 31, 2010.

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% for each year as of August 31, 2010 and 2009. This line of credit is unsecured and is renewed annually. As of August 31, 2010 and 2009, there were no outstanding balances.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2010
 (WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

Note 6: Commitments and Contingencies

The Foundation and the "I Have A Dream" Foundation - New York ("NY Foundation"), as co-tenants, rent office space. The Foundation's share of the rent expense is 76% of the monthly rent. The 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, 2010 and 2009 is \$105,851 and \$108,091, respectively. The organization pays rent on a month to month basis.

The Foundation leases office equipment under a noncancelable long-term operating lease expiring in 2015. The future minimum lease payments for the years ending August 31 are as follows:

2011	\$ 5,004
2012	5,004
2013	5,004
2014	5,004
2015	<u>5,004</u>
	<u>\$ 25,020</u>

Government funded activities are subject to audit by the applicable government granting agency. As of August 31, 2010 and 2009, 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 7: Related Party Transactions

During the years ended August 31, 2010 and 2009, the Foundation recognized \$79,500 and \$90,750, 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 is 76%. During the years ended August 31, 2010 and 2009, the Foundation recognized approximately \$55,000 for each period in shared rent and office expenses due from this affiliate. As of August 31, 2010 and 2009, a receivable balance of \$439 and \$7,013, respectively is due from the NY Foundation.

During the years ended August 31, 2010 and 2009, a member of the Board of Directors and his law firm donated legal services to the Foundation in the amounts of \$72,304 and \$49,443, respectively. See Note 2.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009)

Note 8: Subsequent Events

Management has evaluated the effect of subsequent events on the Company's financial statements through December 27, 2010, which is the date these financial statements were available to be issued. Management has determined that there are no material subsequent events that would require disclosure in the Company's financial statements through this date.