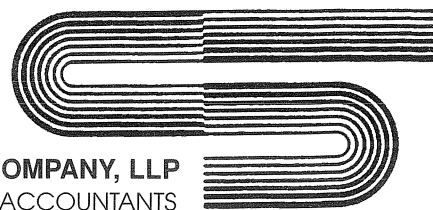


"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

AUGUST 31, 2008



"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2008
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

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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, 2008, 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 "I Have A Dream" Foundation ® (National) financial statements and, in our report dated February 13, 2008, 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, 2008, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Schwartz & Company, LLP

Bellmore, New York
January 13, 2009

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2008
(WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2007)

| ASSETS | | 2008 | 2007 |
|---|-------------------|-------------------|-------------|
| | | <u>2008</u> | <u>2007</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 739,596 | \$ 537,636 | |
| Accounts receivable | 121,110 | 225,401 | |
| Due from affiliate, net of allowance of \$32,096 in 2008 | - | 41,009 | |
| Prepayments and other assets | 4,701 | 7,462 | |
| Property and equipment, net of accumulated depreciation of \$12,074 and \$10,137, respectively | <u>13,771</u> | <u>2,330</u> | |
| Total assets | <u>\$ 879,178</u> | <u>\$ 813,838</u> | |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable and accrued expenses | <u>\$ 43,022</u> | <u>\$ 81,817</u> | |
| Total liabilities | <u>43,022</u> | <u>81,817</u> | |
| Net Assets | | | |
| Unrestricted | 832,643 | 706,140 | |
| Temporarily restricted | <u>3,513</u> | <u>25,881</u> | |
| Total net assets | <u>836,156</u> | <u>732,021</u> | |
| Total liabilities and net assets | <u>\$ 879,178</u> | <u>\$ 813,838</u> | |

See accompanying notes and independent auditors' report



"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2008
 (WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2007)

| | Unrestricted | Temporarily restricted | Total 2008 | 2007 |
|--|-------------------|---------------------------|-------------------|-------------------|
| Revenue, gains and other support | | | | |
| Contributions | \$ 1,331,228 | \$ - | \$ 1,331,228 | \$ 520,290 |
| Government grants | 7,235 | - | 7,235 | 341,312 |
| Special events | - | - | - | 282,890 |
| Licensing fees | 95,250 | - | 95,250 | 103,500 |
| Interest and dividends | 11,425 | - | 11,425 | 26,439 |
| Other | 14,915 | - | 14,915 | 14,528 |
| Net assets released from restrictions | <u>22,368</u> | <u>(22,368)</u> | <u>-</u> | <u>-</u> |
| Total revenue, gains and other support | <u>1,482,421</u> | <u>(22,368)</u> | <u>1,460,053</u> | <u>1,288,959</u> |
| Expenses | | | | |
| Program services | 1,022,240 | - | 1,022,240 | 1,122,621 |
| Management and general | 217,131 | - | 217,131 | 82,878 |
| Fundraising and development | <u>116,547</u> | <u>-</u> | <u>116,547</u> | <u>208,291</u> |
| Total expenses | <u>1,355,918</u> | <u>-</u> | <u>1,355,918</u> | <u>1,413,790</u> |
| Change in net assets | 126,503 | (22,368) | 104,135 | (124,831) |
| Net assets - beginning of year | <u>706,140</u> | <u>25,881</u> | <u>732,021</u> | <u>856,852</u> |
| Net assets - end of year | <u>\$ 832,643</u> | <u>\$ 3,513</u> | <u>\$ 836,156</u> | <u>\$ 732,021</u> |

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2008

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED AUGUST 31, 2007)

| | Program Services | Management and General | Fundraising and Development | 2008 | Total 2007 |
|-------------------------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------|
| Salaries and wages | \$ 609,866 | \$ 91,253 | \$ 74,998 | \$ 776,117 | \$ 660,272 |
| Professional fees | 109,505 | 51,474 | 7,850 | 168,829 | 250,978 |
| Payroll taxes and employee benefits | 99,435 | 13,526 | 10,805 | 123,766 | 133,484 |
| Occupancy expenses | 80,335 | 10,401 | 8,321 | 99,057 | 90,623 |
| Travel | 30,593 | 5,025 | 2,763 | 38,381 | 40,959 |
| Conference hosting costs | 37,295 | - | - | 37,295 | 77,262 |
| Bad debt expense | - | 32,096 | - | 32,096 | - |
| Telephone and internet | 14,208 | 1,395 | 789 | 16,392 | 11,893 |
| Equipment expenses | 10,376 | 963 | 1,732 | 13,071 | 11,071 |
| Supplies | 10,157 | 548 | 471 | 11,176 | 7,771 |
| Fees | 1,857 | 1,574 | 3,976 | 7,407 | 7,140 |
| Postage and shipping | 3,546 | 2,393 | 1,261 | 7,200 | 5,335 |
| Insurance | 5,681 | 736 | 588 | 7,005 | 6,345 |
| Staff recruitment and development | 2,100 | 4,347 | 108 | 6,555 | 82,224 |
| Dues and subscriptions | 2,041 | 400 | 2,288 | 4,729 | 10,206 |
| Printing and publications | 2,191 | 704 | 526 | 3,421 | 13,350 |
| Depreciation | 1,787 | 79 | 71 | 1,937 | 1,804 |
| Miscellaneous | 1,267 | 217 | - | 1,484 | 3,073 |
| Total functional expenses | <u>\$ 1,022,240</u> | <u>\$ 217,131</u> | <u>\$ 116,547</u> | <u>\$ 1,355,918</u> | <u>\$ 1,413,790</u> |

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2008
 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2007)

| | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 104,135 | \$ (124,831) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,937 | 1,804 |
| (Increase) decrease in assets: | | |
| Accounts receivable | 104,291 | (169,082) |
| Due from affiliate | 41,009 | (41,009) |
| Prepayments and other assets | 2,761 | (2,015) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | <u>(38,795)</u> | <u>30,122</u> |
| Net cash provided by (used in) operating activities | <u>215,338</u> | <u>(305,011)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | <u>(13,378)</u> | <u>(2,467)</u> |
| Net cash used in investing activities | <u>(13,378)</u> | <u>(2,467)</u> |
| Net change in cash and cash equivalents | 201,960 | (307,478) |
| Cash and cash equivalents - beginning of year | <u>537,636</u> | <u>845,114</u> |
| Cash and cash equivalents - end of year | <u>\$ 739,596</u> | <u>\$ 537,636</u> |

See accompanying notes and independent auditors' report

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008

(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

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 certain services to these affiliated programs and foundations. The Foundation establishes policies and guidelines under which they operate, collects and disseminates information from and to them, and acts to network and stimulate interaction among such affiliates. The Foundation also provides information and guidance to other organizations and civic groups seeking to establish educational support programs for children in low-income communities.

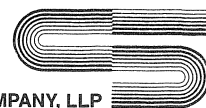
Note 2: Summary of Significant Accounting Policies

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, 2008
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

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, 2008
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

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

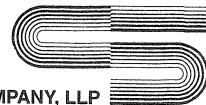
Property and equipment are recorded at cost or, if donated, at the fair value on the date of the gift. Property and equipment are depreciated using the straight-line method over the estimated useful lives of each of the assets.

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, 2007, 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 such special events activities took place during the year ended August 31, 2008.



"I HAVE A DREAM" FOUNDATION ® (NATIONAL)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2008
(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

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, 2008 and 2007, the Foundation received donated goods and services of \$73,319 and \$69,435, respectively, of which approximately \$62,500 and \$50,000, 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, 2008.

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.

"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008

(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

Note 2: Summary of Significant Accounting Policies (continued)

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, 2007 from which the summarized information was derived.

Note 3: Property and Equipment

As of August 31, 2008 and 2007, property and equipment consisted of the following:

| | <u>2008</u> | <u>2007</u> |
|-----------------------------------|------------------|-----------------|
| Furniture, fixtures and equipment | \$ 25,846 | \$ 12,467 |
| Less accumulated depreciation | <u>12,074</u> | <u>10,137</u> |
| Property and equipment, net | <u>\$ 13,771</u> | <u>\$ 2,330</u> |

Depreciation expense for the years ended August 31, 2008 and 2007 amounted to \$1,937 and \$1,804, 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.

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 5.59% and 8.75% in 2008 and 2007, respectively. This line of credit is unsecured and is renewed annually. As of August 31, 2008 and 2007, there were no outstanding balances.



"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008

(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

Note 6: Temporarily Restricted Net Assets

As of August 31, 2008 and 2007, temporary restricted net assets consisted of the following:

| | <u>2008</u> | <u>2007</u> |
|---------------------|-------------|-------------|
| Purpose restricted: | | |
| Berger | 3,513 | 25,881 |

Note 7: Commitments and Contingencies

The Foundation and the "I Have A Dream" Foundation - New York ("NY Foundation"), as co-tenants, rent office space under an extension agreement dated March 19, 2008, which expires February 28, 2009. The extension agreement calls for monthly rent of \$8,919. The lease obligation is also subject to real estate taxes. The Foundation's share of the rent expense is 72% based on the number of employees and utilization of rented space. The Foundation's rent expense for the years ended August 31, 2008 and 2007 is \$93,773 and \$86,504, respectively.

The future minimum lease payments for the year ending August 31 are as follows:

| | |
|------|----------|
| 2009 | \$38,530 |
|------|----------|

Government funded activities are subject to audit by the applicable government granting agency. As of August 31, 2008 and 2007, 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.



"I HAVE A DREAM" FOUNDATION ® (NATIONAL)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008

(WITH COMPARATIVE AMOUNTS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2007)

Note 8: Related Party Transactions

During the years ended August 31, 2008 and 2007, the Foundation recognized \$95,250 and \$103,500, 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 for 2008 and 2007 is 72%. During the years ended August 31, 2008 and 2007, the Foundation recognized approximately \$55,000 and \$58,000 in shared rent and office expenses due from this affiliate. As of August 31, 2008, a receivable balance of \$32,096 from the NY Foundation has been fully reserved for and included in the allowance for doubtful accounts.

During the year ended August 31, 2007, the spouse of an employee provided the Foundation with computer related services in the amount of \$24,800 of which \$14,400 was donated.

