

I HAVE A DREAM FOUNDATION

FINANCIAL STATEMENTS

AUGUST 31, 2013



SCHWARTZ & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

I HAVE A DREAM FOUNDATION
FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
I Have A Dream Foundation
New York, New York

We have audited the accompanying financial statements of I Have A Dream Foundation (a not-for-profit organization), which comprises the statement of financial position as of August 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of August 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the I Have A Dream Foundation's 2012 financial statements, and our report dated January 7, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schwartz & Company, LLP

Bellmore, New York
January 10, 2014

I HAVE A DREAM FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AT AUGUST 31, 2012)

	ASSETS	
	2013	2012
Assets		
Cash	\$ 605,321	\$ 453,490
Cash - restricted	14,350	-
Contributions receivable	106,679	558,300
Due from affiliate	-	1,668
Prepaid expenses and other assets	5,028	6,615
Property and equipment, net	<u>8,049</u>	<u>9,055</u>
Total assets	<u>\$ 739,427</u>	<u>\$ 1,029,128</u>
	LIABILITIES AND NET ASSETS	
Liabilities		
Accounts payable	\$ 24,782	\$ 41,217
Accrued expenses and other liabilities	40,649	52,493
College savings deposits payable	<u>14,350</u>	<u>-</u>
Total liabilities	<u>79,781</u>	<u>93,710</u>
Net Assets		
Unrestricted	659,646	876,333
Temporarily restricted	<u>-</u>	<u>59,085</u>
Total net assets	<u>659,646</u>	<u>935,418</u>
Total liabilities and net assets	<u>\$ 739,427</u>	<u>\$ 1,029,128</u>

The accompanying notes are an integral part of these financial statements.

I HAVE A DREAM FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)

	Unrestricted	Temporarily restricted	Total 2013	2012
Revenues, gains and other support				
Contributions	\$ 851,446	\$ -	\$ 851,446	\$ 1,556,769
Special events, net of costs of \$181,616 and \$166,996 in 2013 and 2012, respectively	376,303	-	376,303	214,152
Licensing fees	66,750	-	66,750	66,000
Interest	268	-	268	273
Other	28,234	-	28,234	14,522
Net assets released from restrictions	<u>59,085</u>	<u>(59,085)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,382,086</u>	<u>(59,085)</u>	<u>1,323,001</u>	<u>1,851,716</u>
Expenses				
Program services	1,151,828	-	1,151,828	1,168,772
Management and general	188,578	-	188,578	197,228
Fundraising and development	<u>161,434</u>	<u>-</u>	<u>161,434</u>	<u>116,653</u>
Total expenses	<u>1,501,840</u>	<u>-</u>	<u>1,501,840</u>	<u>1,482,653</u>
Increase (decrease) in net assets before extraordinary items	<u>(119,754)</u>	<u>(59,085)</u>	<u>(178,839)</u>	<u>369,063</u>
Extraordinary items - management and general:				
Managing fees	40,000	-	40,000	-
Recruiting fees	<u>56,933</u>	<u>-</u>	<u>56,933</u>	<u>-</u>
Total extraordinary items	<u>96,933</u>	<u>-</u>	<u>96,933</u>	<u>-</u>
Increase (decrease) in net assets	(216,687)	(59,085)	(275,772)	369,063
Net assets - beginning of year	<u>876,333</u>	<u>59,085</u>	<u>935,418</u>	<u>566,355</u>
Net assets - end of year	<u>\$ 659,646</u>	<u>\$ -</u>	<u>\$ 659,646</u>	<u>\$ 935,418</u>

The accompanying notes are an integral part of these financial statements.

I HAVE A DREAM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)

	Program Services	Management and General	Fundraising and Development	Total 2013	2012
Salaries and wages	\$ 608,440	\$ 78,005	\$ 93,607	\$ 780,052	\$ 700,430
Professional fees	104,951	67,273	18,442	190,666	326,502
Payroll taxes and employee benefits	87,266	11,188	13,425	111,880	122,025
Occupancy expenses	82,456	10,571	12,685	105,712	105,680
Supplies and curricula	134,298	510	439	135,247	57,023
Conference hosting costs	62,454	74	75	62,603	27,440
Travel	16,457	7,554	229	24,240	30,610
Telephone and internet	21,667	2,133	3,534	27,334	24,360
College savings account contributions	14,350	-	-	14,350	-
Fees	2,459	903	12,964	16,326	12,819
Equipment expenses	3,820	2,070	921	6,811	12,570
Insurance	5,149	736	802	6,687	7,156
Postage and shipping	1,388	1,806	1,932	5,126	4,877
Printing and publications	766	176	1,520	2,462	1,299
Depreciation	3,508	439	479	4,426	5,405
Dues and subscriptions	215	394	380	989	6,383
Staff development	179	100	-	279	2,640
Miscellaneous	<u>2,005</u>	<u>4,645</u>	<u>-</u>	<u>6,650</u>	<u>35,434</u>
	<u>\$ 1,151,828</u>	<u>\$ 188,578</u>	<u>\$ 161,434</u>	<u>\$ 1,501,840</u>	<u>\$ 1,482,653</u>

The accompanying notes are an integral part of these financial statements.

I HAVE A DREAM FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (275,772)	\$ 369,063
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,426	5,405
Changes in operating assets and liabilities:		
(Increase) in cash - restricted	(14,350)	-
Decrease (increase) in contributions receivable	451,621	(397,725)
Decrease in due from affiliate	1,668	4,951
Decrease in prepaid expenses and other assets	1,587	7,484
(Decrease) increase in accounts payable	(16,435)	27,922
(Decrease) increase in accrued expenses and other liabilities	(11,844)	15,128
Increase in college savings accounts payable	<u>14,350</u>	<u>-</u>
Net cash provided by operating activities	<u>155,251</u>	<u>32,228</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,420)</u>	<u>(4,195)</u>
Net cash used in operating activities	<u>(3,420)</u>	<u>(4,195)</u>
Net increase in cash	151,831	28,033
Cash - beginning of year	<u>453,490</u>	<u>425,457</u>
Cash - end of year	<u><u>\$ 605,321</u></u>	<u><u>\$ 453,490</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

I HAVE A DREAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 1: Nature of Organization and Significant Accounting Policies

Nature of Organization

I Have A Dream Foundation, (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 Foundation develops the overarching vision, goals and strategy for the "I Have A Dream Network" to ensure that the Foundation is having the greatest possible impact at both the affiliate and national levels. 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 maximizes network performance by supporting affiliate efforts to increase impact and ensure sustainability over time by (1) identifying, distilling and sharing best practices; (2) providing training and technical support to enhance programming and operations; and (3) leading evaluation and continuous improvement efforts across the network. The Foundation also leads efforts to grow the network through securing additional funding sources and starting new affiliates. In addition, the Foundation leads research and development efforts with respect to new and innovative programming ideas for eventual deployment to affiliates across the country.

Basis of Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles 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 of the prior year, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes funds totaling \$14,350 held in college savings accounts for students until graduation from high school.

I HAVE A DREAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 1: Nature of Organization and Significant Accounting Policies (Continued)

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes that all promises receivable at August 31, 2013 are fully collectible. Accordingly, no allowance for doubtful accounts exists at August 31, 2013.

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies temporarily restricted net assets to unrestricted net asset at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of each asset, ranging from three to five years.

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
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Note 1: Nature of Organization and Significant Accounting Policies (Continued)

Contributed Goods and Services

Amounts are reported in the financial statements for voluntary donations of goods and services when those goods and 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 goods and materials are recorded at fair market value at the date of the gift.

During the years ended August 31, 2013 and 2012, the Foundation received donated goods and services of \$243,202 and \$214,389, respectively, of which approximately \$94,500 and \$136,300, respectively, were for legal services. The legal services 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.

Contributions

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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

For the years ended August 31, 2013 and 2012, revenues from special events are net of related expenses including event planning, venue costs, food and entertainment, travel, printing and postage expenses and photography.

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.

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 1: Nature of Organization and Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consist principally of cash on deposit with financial institutions, which, from time to time, exceeds the Federal Deposit Insurance Corporation limits

One and three individual donors accounted for approximately 86% and 84% of the Foundation's outstanding contributions receivable at August 31, 2013 and 2012, respectively.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. There was no unrelated business income for the years ended August 31, 2013 and 2012.

The Foundation filed federal tax Form 990, *Return of Organization Exempt from Income Tax*, for the years ending August 31, 2010, 2011, and 2012 which are subject to examination by the IRS. Returns are generally subject to examination for three years after they were filed.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. As of August 31, 2013 and 2012, the Foundation has determined that it has not incurred any liability for unrecognized tax benefits.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items appearing in the 2012 comparative totals have been reclassified to conform to their 2013 presentations.

I HAVE A DREAM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 1: Nature of Organization and Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through January 14, 2014, the date the financial statements were available to be issued. Management has determined that there are no material subsequent events that would require disclosure in the Foundation's financial statements through this date.

Note 2: Property and Equipment

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 44,010	\$ 40,589
Less accumulated depreciation	<u>35,961</u>	<u>31,534</u>
	<u>\$ 8,049</u>	<u>\$ 9,055</u>

Note 3: Loan Payable - Bank

The Foundation maintains a \$150,000 revolving line of credit with a bank and is renewable annually. Amounts outstanding under this facility is due on demand and bears interest at the prime lending rate, 3.25% at August 31, 2013 plus 0.50% per annum. The line of credit is collateralized by all of the assets of the Foundation. As of August 31, 2013 and 2012, there were no outstanding balances under this facility.

Note 4: Temporarily Restricted Net Assets

Temporary restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Purpose restricted:		
College savings accounts	\$ -	\$ 20,000
Student conference (Note 1)	-	20,000
Extension model	<u>-</u>	<u>19,085</u>
	<u>\$ -</u>	<u>\$ 59,085</u>

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 5: Commitments and Contingencies

The Foundation conducts its operations from a co-leased facility with "I Have A Dream" Foundation - New York ("NY Foundation") on a month-to-month basis. The rental expense allocation is based on the number of employees and the utilization of rented space. The Foundation's share of the rent expense is 72% and 71% of the monthly rent for the years ended August 31, 2013 and 2012, respectively. Rent expense for the years ended August 31, 2013 and 2012 amounted to \$99,308 and \$101,073, respectively.

The Foundation is a lessee of office equipment under an operating lease expiring in 2015. Minimum future lease payments as of August 31, 2013 for each of the next two years and in the aggregate are as follows:

2014	\$ 5,004
2015	<u>5,004</u>
	<u>\$ 10,008</u>

Note 6: Related Party Transactions

The Foundation shares various rent and office expenses with the NY Foundation. The Foundation's share of these expenses are 72% and 71% for the years ended August 31, 2013 and 2012, respectively. The amount due from the NY Foundation at August 31, 2012 was \$1,668.

A member of the Board of Directors has an interest in the building that leases office space to the Foundation (Note 5). The Foundation pays rent at the applicable fair market value.

During the years ended August 31, 2013 and 2012, a member of the Board of Directors and his law firm donated legal services to the Foundation in the amounts of \$94,500 and \$136,300, respectively (Note 1).

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013
(WITH COMPARATIVE TOTALS AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012)

Note 7: Employee Benefit Plan

The Foundation sponsors a 403(b) tax deferred annuity plan covering all eligible employees. The plan permits employees to contribute a percentage of their compensation to the plan on a pre tax basis subject to annual limitations set by the Internal Revenue Service. All employee contributions are fully vested. The Foundation does not contribute to the plan.

Note 8: Extraordinary Items

The Foundation incurred management fees and recruiting fees relating to the termination and search for a new President.