

DREAMS FOR KIDS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2008

**DREAMS FOR KIDS, INC.
FINANCIAL STATEMENTS**

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N. Davidson & Associates, CPA
617-596-5389

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Dreams for Kids, Inc.
Chicago, IL

We have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of Dreams for Kids, Inc. (a nonprofit organization) as of December 31, 2008, and the related statement of contributions revenues, expenses and other changes in net assets-modified cash basis 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 the audit.

The audit was conducted in accordance with US generally accepted auditing standards. Those standards require that the audit is planned and performed 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets liabilities and net assets of Dream for Kids, Inc. as of December 31, 2008 and its contributions, revenue and expenses for the year then ended on the basis of accounting described in Note 1.

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of contributions, program services and management and general expenses-modified cash basis are prepared and presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basis financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

N. Davidson & Associates, CPA



Certified Public Accountant

June 1, 2009

DREAMS FOR KIDS, INC.
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
 DECEMBER, 31, 2008

ASSETS

	Unrestricted	Temporarily Restricted	Total
Cash	\$ 8,617	\$ -	\$ 8,617
Note receivable, Dolphin Dream Company	35,046	-	35,046
Investments	17,276	54,917	72,193
TOTAL ASSETS	\$ 60,939	\$ 54,917	\$ 115,856

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Total
Credit card payable	\$ 4,071	\$ 1,683	\$ 5,754
Line of credit	35,046	-	35,046
TOTAL LIABILITIES	\$ 39,117	\$ 1,683	\$ 40,800
NET ASSETS	21,822	53,234	75,056
TOTAL LIABILITIES AND NET ASSETS	\$ 60,939	\$ 54,917	\$ 115,856

DREAMS FOR KIDS, INC.
STATEMENT OF CONTRIBUTIONS, REVENUES, EXPENSES AND OTHER CHANGES
IN NET ASSETS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER, 31, 2008

	Unrestricted	Temporarily Restricted	Total
CONTRIBUTIONS AND REVENUES			
Contributions	\$ 270,251	\$ 9,717	\$ 279,968
In-kind Contributions and Donated Services	253,834	40,287	294,121
TOTAL CONTRIBUTIONS	524,085	50,004	574,089
Revenues:			
Interest and Dividends	2,938	1,678	4,616
Realized gain on sale of investments		222	222
Unrealized loss on valuation of investments		(6,784)	(6,784)
TOTAL REVENUES	2,938	(4,884)	(1,946)
TOTAL CONTRIBUTIONS AND REVENUES	527,023	45,120	572,143
Expenses:			
Cash Program Services Expenses	219,364	44,859	264,223
In-kind Program Services Expenses	224,134	40,287	264,421
Total Program Services Expenses	443,498	85,146	528,644
Cash Management and General Expenses	47,988	-	47,988
In-kind Management and General Expenses	29,700	-	29,700
Total Management and General Expenses	77,688	-	77,688
Fundraising Expenses	2,047	-	2,047
TOTAL EXPENSES	523,233	85,146	608,379
DECREASE IN NET ASSETS	3,790	(40,026)	(36,236)
NET ASSETS, beginning of year	18,032	93,260	111,292
NET Assets, end of year	\$ 21,822	\$ 53,234	\$ 75,056

DREAMS FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Mission and Objective

The mission and objective of Dreams for Kids, Inc. (the Organization) is to empower young people of all abilities through dynamic leadership programs and life changing activities that inspire them to fearlessly pursue their dreams and compassionately change the world.

Organization

The Organization is a not-for-profit corporation and has been determined to be an organization exempt from income tax under Section 501(c)3 of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contributions deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Organization was incorporated in the State of Illinois on December 8, 1989, and operates throughout the United States.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Donated Services

In-kind revenue and expenses represent donated services to the Organization. Donated services are recognized as contributions in accordance with SFAS No. 116 if the services (a) create or enhance non financial assets, (b) require specialized skills and are performed by people with those skills and (c) would otherwise be purchased by the Organization. During the year ended December 31, 2009, in-kind contributed revenue and related expenses totaled \$294,121.

Restricted and Unrestricted Revenue

Contributions represent amounts raised from individuals and are recognized in the period received. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

DREAMS FOR KIDS, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

Investments

Investments are stated at fair value, which is generally determined based on quoted market price.

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments at fair value are comprised of the following as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Mutual funds	\$ -	\$ 24,853	\$ 24,853
Money market funds	<u>17,276</u>	<u>30,064</u>	<u>47,340</u>
Total	\$ 17,276	\$ 54,917	\$ 72,193

The historical cost and fair value at December 31, 2008, were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 17,708	\$ 24,853
Money market funds	<u>47,340</u>	<u>47,340</u>
Total	\$ 65,048	\$ 72,193

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are often made available for program services. Investment income (net of expenses) derived from the temporarily restricted contributions is temporarily restricted.

DREAMS FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4 – RELATED PARTY TRANSACTIONS

The note receivable from Dolphin Dream Company, an affiliated company owned by the President of the Organization, dated October 23, 2006 is interest bearing, unsecured and payable on demand. This note provides for minimum monthly payments of \$200, or two percent of principle plus interest at the same rate as the line of credit loan (5.75% at December 31, 2008). Total interest earned for the year ended December 31, 2008 was \$2,938.

The Organization sub-leases its office space from Shawn A. Warner & Associates, Ltd. on a month to month basis. Shawn A. Warner, President of Shawn A. Warner & Associates is the chairman of the Organization. There is no operating lease in place at December 31, 2008. Total rent expense for the year ended was \$30,167.

NOTE 5 – LOAN PAYABLE

The Organization has a \$50,000 loan payable which is due on demand. The loan provides for minimum monthly payments of \$200 or two percent of principle plus interest at the same rate as the line of credit loan (5.75% at December 31, 2008). The outstanding balance amounted to \$35,046 at December 31, 2008. Interest expense for the year ended December 31, 2008 was \$2,938.

NOTE 6 – RESTRICTED AND UNRESTRICTED REVENUE

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Contributions, Revenues, Expenses and Other Changes as net assets released from restrictions.

SUPPLEMENTARY INFORMATION

DREAMS FOR KIDS, INC.
 SCHEDULE OF CONTRIBUTIONS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dream Leaders contributions	\$ 47,503	\$ -	\$ 47,503
Event contributions	26,149	-	26,149
Extreme Recess contributions	34,229	-	34,229
Father Walley contributions	-	5,350	5,350
Holiday program contributions	36,968	3,767	40,735
Patricia Tuohy scholarship contributions	-	600	600
Other contributions	<u>125,402</u>	<u>-</u>	<u>125,402</u>
Total contributions	<u>\$ 270,251</u>	<u>\$ 9,717</u>	<u>\$ 279,968</u>

DREAMS FOR KIDS, INC.
SCHEDULE OF PROGRAM SERVICES-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Amount</u>
Dream Leaders	\$ 38,721
Event	10,020
Extreme Recess	50,693
Father Walley	552
Patricia Touhy	1,000
Holiday Program	14,305
Insurance Expense	1,338
Investment Expense	436
Office Expense	110
Other Services	20,141
Postage	990
Rent	18,796
Salaries	99,092
Taxes, payroll	<u>8,029</u>
Total program services	<u>\$ 264,223</u>

DREAMS FOR KIDS, INC.
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Amount</u>
Bank Charges	\$ 1,241
Miscellaneous Expenses	16,177
Insurance Expense	1,338
Interest Expense	2,938
Office expense	915
Postage expense	1,585
Professional services	946
Rent	11,371
Salaries, office	7,317
Taxes, payroll	1,247
Telephone expense	1,870
Website expenses	<u>1,043</u>
Total management and general expenses	<u>\$ 47,988</u>