

DREAMS FOR KIDS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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N.Davidson, CPA
312-239-0766

INDEPENDENT AUDITOR'S REPORT

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

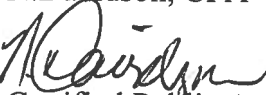
We have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis for Dreams for Kids, Inc. (an nonprofit organization) as of December 31, 2010, and the related statement of contributions, revenues, expenses and other changes in net assets-modified cash basis for the 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 Dreams for Kids, Inc. as of December 31, 2010 and its contributions, revenues 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 the 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 basic 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, CPA

Certified Public Accountant
July 22, 2011

DREAMS FOR KIDS, INC.
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
 DECEMBER 31, 2010

ASSETS

	Unrestricted	Temporarily Restricted	Total
Cash	\$ 12,341	\$ -	\$ 12,341
Note receivable, Dolphin Dream Company	17,638	-	17,638
Investments	79,366	21,629	100,995
TOTAL ASSETS	\$ 109,344	\$ 21,629	\$ 130,973

LIABILITIES AND NET ASSETS

Bank Payable	\$ 531		\$ 531
Salaries Payable	10,220	-	10,220
Line of credit	17,638	-	17,638
TOTAL LIABILITIES	27,858	-	27,858
NET ASSETS	81,486	21,629	103,115
TOTAL LIABILITIES AND NET ASSETS	\$ 109,344	\$ 21,629	\$ 130,973

See accompanying notes.

DREAMS FOR KIDS, INC.
STATEMENT OF CONTRIBUTIONS, REVENUES, EXPENSES AND OTHER CHANGES IN
NET ASSETS-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CONTRIBUTIONS AND REVENUES			
Contributions	\$ 547,277	\$ 57,775	\$ 605,052
In-kind Contributions & Donated Services	5,570,671	-	5,570,671
TOTAL CONTRIBUTIONS	<u>6,117,948</u>	<u>57,775</u>	<u>6,175,723</u>
Revenues:			
Interest and Dividends	0	-	0
Other Income	29,185	-	29,185
Realized gain on sale of investments	-	235	235
Unrealized gain on valuation of investments		(3,737)	(3,737)
TOTAL REVENUES	<u>29,185</u>	<u>(3,502)</u>	<u>25,683</u>
TOTAL CONTRIBUTIONS AND REVENUES	<u>6,147,134</u>	<u>54,273</u>	<u>6,201,407</u>
Expenses:			
Program Services	414,731	82,062	496,792
In-kind Expenses & Donated Services	5,570,671	-	5,570,671
Fundraising Expenses	8,609	-	8,609
Management and General	82,624	-	82,624
TOTAL EXPENSES	<u>6,076,635</u>	<u>82,062</u>	<u>6,158,696</u>
(DECREASE)/INCREASE IN NET ASSETS	<u>70,499</u>	<u>(27,789)</u>	<u>42,710</u>
NET ASSETS, beginning of year	<u>10,987</u>	<u>49,418</u>	<u>60,405</u>
NET ASSETS, end of year	<u>\$ 81,486</u>	<u>\$ 21,629</u>	<u>\$ 103,115</u>

See accompanying notes.

DREAMS FOR KIDS, INC.
SCHEDULE OF CONTRIBUTIONS-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

The Organization received donated services from a variety of unpaid volunteers and organizations. These donated services are recorded at their fair market value at the date of contribution. The value of donated services totaled \$5,570,671 for the year ended December 31, 2010 and is recognized in the accompanying statements of revenues, expenses and other changes in net assets-modified cash basis.

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.
 SCHEDULE OF CONTRIBUTIONS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Mutual funds	\$ -	\$ 8,061	\$ 8,061
Money market funds	79,366	13,568	92,933
Total	<u>\$ 79,366</u>	<u>\$ 21,629</u>	<u>\$ 100,995</u>

The historical cost and fair value at December 31, 2010, were as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 11,798	\$ 8,061
Money market funds	92,933	92,933
Total	<u>\$ 104,731</u>	<u>\$ 100,995</u>

DREAMS FOR KIDS, INC.
SCHEDULE OF CONTRIBUTIONS-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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, 2010). Total interest earned for the year ended December 31, 2010 was approximately \$1,282.

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, 2010. Total rent expense related to Shawn A. Warner & Associates, Ltd for the year ended was \$47,914.

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, 2010). The outstanding balance amounted to \$17,638 at December 31, 2010. Interest expense for the year ended December 31, 2010 was approximately \$1,282.

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 Activities as net assets released from restrictions

SUPPLEMENTARY INFORMATION

DREAMS FOR KIDS, INC.
 SCHEDULE OF CONTRIBUTIONS-MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily restricted	Total
Dream Leaders contributions	\$ 22,799	\$ -	\$ 22,799
Event contributions	-	-	-
Extreme Recess contributions	31,692	-	31,692
Father Walley contributions	-	6,697	6,697
Holiday program contributions	-	50,128	50,128
Patricia Tuohy scholarship contributions	-	950	950
Brendan Tuohy contributions	234	-	234
Fundraising contributions	33,019	-	33,019
Other contributions	459,534	-	459,534
Total contributions	\$ 547,277	\$ 57,775	\$ 605,052

DREAMS FOR KIDS, INC.
 SCHEDULE OF PROGRAM SERVICES-MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Amount
Dream Leaders	\$ 21,468
Event	2,992
Extreme Recess	43,371
Father Walley	7,000
Patricia Touhy	-
Brendan Touhy	2,412
Holiday Program	70,925
Insurance Expense	278
Other Services	72,398
Postage	23
Rent	38,587
Salaries	223,869
Taxes, payroll	13,469
Total program services	\$ 496,792

DREAMS FOR KIDS, INC.
SCHEDULE OF MANAGEMENT AND GENERAL EXPENSES-MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Amount</u>
Bank Charges	\$ 3,712
Insurance Expense	9,517
Interest Expense	1,282
Miscellaneous Expenses	15,456
Office expense	13,698
Postage expense	1,345
Professional services	7,089
Rent	13,254
Salaries, office	12,677
Taxes, payroll	1,212
Telephone expense	2,356
Website expenses	<u>1,028</u>
Total management and general expenses	<u>\$ 82,624</u>