

I HAVE A DREAM FOUNDATION - COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
I Have a Dream Foundation - Colorado
Denver, Colorado

We have audited the accompanying financial statements of I Have a Dream Foundation - Colorado (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012, and the related statements of activities, functional expenses 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 of 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 - Colorado as of December 31, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davis & Co., CPAs, P.C.

Highlands Ranch, Colorado
May 26, 2013

I HAVE A DREAM FOUNDATION - COLORADO
Statement of Financial Position
December 31, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 325,602	\$ 331,918	\$ --	\$ 657,520
Grants & pledges receivable	--	270,000	--	270,000
Prepaid expenses & deposits	<u>11,896</u>	<u>--</u>	<u>--</u>	<u>11,896</u>
	337,498	601,918	--	939,416
Investments, cost of \$829,508.	--	718,589	164,000	882,589
Furniture, equipment & vehicle, at cost	76,903	--	--	76,903
Less: accumulated depreciation	<u>(70,411)</u>	<u>--</u>	<u>--</u>	<u>(70,411)</u>
	<u>6,492</u>	<u>--</u>	<u>--</u>	<u>6,492</u>
	<u>\$343,990</u>	<u>\$1,320,507</u>	<u>\$164,000</u>	<u>\$1,828,497</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 14,323	\$ 1,380	\$ --	\$ 15,703
Accrued compensated absences	<u>17,090</u>	<u>--</u>	<u>--</u>	<u>17,090</u>
	31,413	1,380	--	32,793
Net assets	<u>312,577</u>	<u>1,319,127</u>	<u>164,000</u>	<u>1,795,704</u>
	<u>\$343,990</u>	<u>\$1,320,507</u>	<u>\$164,000</u>	<u>\$1,828,497</u>

The accompanying notes are a part of this statement.

I HAVE A DREAM FOUNDATION - COLORADO

Statement of Activity

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Direct & indirect contributions	\$ 215,060	\$ 75,000	\$ --	\$ 290,060
Foundations & corporations	277,925	465,722	--	743,647
Government grants	18,799	--	--	18,799
Special events, net	174,600	--	--	174,600
In-kind contributions	217,320	--	--	217,320
Investment income realized	579	20,242	--	20,821
Unrealized gains (losses)	<u>--</u>	<u>31,480</u>	<u>--</u>	<u>31,480</u>
	904,283	592,444	--	1,496,727
Net assets released by the passage of time or satisfaction of program restrictions	<u>557,006</u>	<u>(557,006)</u>	<u>--</u>	<u>--</u>
Total public support and revenue	1,461,289	35,438	--	1,496,727
 FUNCTIONAL EXPENSES				
Program services:				
Dreamer's classes	1,274,654			1,274,654
Supporting services:				
Management & general	90,594			90,594
Financial development	<u>84,648</u>			<u>84,648</u>
	<u>175,242</u>			<u>175,242</u>
Total functional expenses	<u>1,449,896</u>			<u>1,449,896</u>
CHANGE IN NET ASSETS	11,393	35,438	--	46,831
Net assets beginning of year	<u>301,184</u>	<u>1,283,689</u>	<u>164,000</u>	<u>1,748,873</u>
Net assets, end of year	<u>\$312,577</u>	<u>\$1,319,127</u>	<u>\$164,000</u>	<u>\$1,795,704</u>

The accompanying notes are a part of this statement.

I HAVE A DREAM FOUNDATION - COLORADO
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Supporting Services			
	General and Administrative	Financial Development	Total	Total Expenses
Program Services				
- Dreamers				
Personnel expenses	\$ 753,455			\$ 832,546
In-kind contributed expenses	193,061			217,320
Scholarships	58,548			58,548
Direct program costs	75,938			75,938
Occupancy costs	39,709		4,169	43,878
Professional services	26,919	2,194	26,918	53,837
Travel & transportation	31,542	10,767	7,885	39,427
Telecommunications & internet	43,959	2,428	4,613	48,572
Training & development	12,931	--	--	12,931
Office supplies & expenses	15,861	991	3,965	19,826
Advertising & promotion	--	10,283	10,283	10,283
Dues, licenses & subscriptions	11,123	1,853	7,412	18,535
Meetings & conferences	2,219	--	3,518	5,737
Insurance costs	6,194	--	2,064	8,258
Depreciation expense	<u>3,195</u>	<u>1,065</u>	<u>1,065</u>	<u>4,260</u>
Total expenses	<u>\$1,274,654</u>	<u>\$84,648</u>	<u>\$175,242</u>	<u>\$1,449,896</u>

The accompanying notes are a part of this statement.

I HAVE A DREAM FOUNDATION - COLORADO
Statement of Cash Flows
For the Year Ended December 31, 2012

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 46,831
Adjustments to reconcile to net cash provided by operating activities:	
Unrealized gains	(31,480)
Depreciation	4,260
Changes in operating assets and liabilities:	
Decrease in grants & pledges receivable	141,500
Decrease in prepaid expenses & deposits	5,765
Increase in accounts payable	3,379
Increase in accrued compensated absences	<u>4,293</u>
Net cash provided by operating activities	174,548
Cash flow from investing activity:	
Sales (purchases) of investments, net	(38,477)
Additions to fixed long-lived assets	<u>(2,768)</u>
	(41,245)
INCREASE IN CASH AND CASH EQUIVALENTS	133,303
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>524,217</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$657,520</u>
Supplemental disclosure of cash flow information:	
Cash basis operating activity:	
Interest and dividend income	<u>\$20,821</u>

The accompanying notes are a part of this statement.

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies
Significant accounting policies are as follows:

a. Foundation

I Have a Dream Foundation - Colorado (the "Foundation") was incorporated under the laws of the State of Colorado on February 29, 1988 and started full operations during 1991. The Foundation's mission is to encourage the 100% graduation of students in Denver, Colorado by assisting children from low-income communities to achieve their education and career goals by providing a long-term program of mentoring, academic assistance, life skills development, enrichment and assistance for higher education.

The Foundation "adopts" both entire grade levels from elementary schools or entire age groups from public housing developments. This "adoption" is done in partnership with a Sponsor (individual or organization) who underwrites most of the program costs incurred until the class (aka: "Dreamers") complete high school, about 10 years later. A full time Foundation staff member, known as the Program Director, is assigned to each class; and, along with the Sponsor and a team of volunteers, work-study students and interns, forms the team that will work hands-on providing year-round programming and support to the "Dreamers". Dreamers who graduate from high school are awarded a scholarship equivalent to four years of tuition costs for a Colorado community college, approximately \$12,000.

Since inception, eight classes have graduated 387 Dreamers at rates three to four times greater than prior averages. The Foundation is currently serving 253 Dreamers from five "adopted" classes that have not yet graduated from high school. The Foundation is supported primarily by contributions from individuals, private foundations and corporations.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation follows the provisions of FASB ASC 958-210 "Financial Statements of Not-for-Profit Organizations". Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted – Resources not subject to donor-imposed restrictions

Temporarily restricted – Resources subject to donor-imposed restrictions that will be satisfied by actions of the Foundation or the passage of time. (See Note 5)

Permanently restricted – Resources subject to permanent donor restrictions regarding the spending of principal. (See Note 4)

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

c. Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted demand and time deposits with maturities of six months or less to be cash equivalents. All account balances at December 31, 2012 were fully insured by either the Federal Deposits Insurance Corporation or the Securities Investors Protection Corporation.

d. Furniture, equipment and vehicle

Expenditures of \$1,000 or more for long-lived assets that will benefit multiple years are capitalized at either their historical cost or donated fair market value. Annual depreciation expense is calculated using the straight-line method and expected lives of 5 years. Depreciation expense during 2012 was \$4,260.

e. Revenue recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as temporarily restricted support that increases that net asset class. When a temporary 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". If a donor-imposed restriction is satisfied in the same accounting period that the revenue is received, the Foundation reports the revenue as "unrestricted."

f. Investments

Investments consist of mutual funds with a fair value of \$882,589 (cost basis of \$808,397). In accordance with accounting principles generally accepted in the U.S., these investments are classified by the Organization as Level 1 due to the existence of daily published market quotes for their respective valuation inputs.

g. Donated assets, supplies, services and use of space

In-kind donations of supplies or facility use are recorded at their fair value in the period received if significant and they would have otherwise been purchased. In-kind donations of services must also require specialized skills and be provided by individuals possessing those skills. Qualified 2012 significant in-kind donations meeting the above criteria and recorded herein are as follows:

<u>Expense category</u>	<u>Amount</u>
Services – technical &/or professional	\$ 181,546
Travel & transportation	12,000
Direct program costs	14,000
Office supplies & expenses	6,374
Occupancy costs	3,400
	<u>\$217,320</u>

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

h. Estimates

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

i. Accrued compensated absences

As required by accounting principles generally accepted in the United States of America, the Foundation accrues compensated absences such as vacation when earned. The liability recorded herein as of December 31, 2012 was \$12,797.

j. Functional expenses

Expenses directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated by the time expended or another reasonable basis.

k. Grants and pledges receivable

The Foundation's \$270,000 of pledges receivable at December 31, 2012 is due from known sources with which the Foundation is familiar and has a history with. Accordingly, management does not believe that a reserve for doubtful accounts is necessary and has elected to use the direct write-off method should a future bad debt materialize.

l. Subsequent Events

Management has evaluated subsequent events through May 26, 2013, the date that these financial statements were available to be issued.

m. Tax status

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Effective January 1, 2010 the Foundation adopted FASB ASC #740 "Accounting for Uncertainty in Income Taxes" (ASC 740). The Foundation determined at that time that no cumulative effect adjustment was necessary upon adoption of ASC 740, and that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Foundation believes it has no items of unrelated business income and that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

Note 2: Lease Commitment

The Foundation leases its office space in downtown Denver, Colorado under a three year lease which was renewed on January 1, 2012 and expires on December 31, 2014. The minimum rent to be incurred under this agreement during 2013 is \$34,025. During 2014 the minimum annual rent will increase by any changes in the Consumer Price Index formula. Rent expense incurred during 2012 of \$33,265 is recorded in the statement of functional expenses herein under "occupancy costs."

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2012

Note 3: Commitment for Dreamer's Scholarships

Although not required by generally accepted accounting principles of the U.S. to be recorded herein, the Foundation has made conditional promises with 253 Dreamer's who have not yet graduated from high school. The commitment is to provide the four year equivalent of tuition at a Colorado community college (approximately \$12,000) provided that they fulfill the condition of graduating from high school. In addition, partial commitments exist with 128 Dreamer's who are currently receiving higher education. All scholarships for higher education are conditionally earned "one year" at a time.

The annual expense for scholarships earned and awarded, amounting to \$58,508 in 2012, is paid for by a pool of temporarily restricted net assets which are primarily invested in mutual funds and amounted to \$843,750 at December 31, 2012. (See Note 5)

Note 4: Permanently Restricted Net Assets and Endowment Fund

Since August of 1994 donors have made \$164,000 of contributions to the Foundation's O'Shaughnessy Endowment Fund. The Organization's Board of Directors has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair-value of these original gifts as of the gift date absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original fair-value of all gifts donated to the permanent endowment and classifies as temporarily restricted net assets all cumulative undistributed investment gains and earnings. See Footnote 5 below for a summary of 2012 activity relative to the fund's temporarily restricted net assets. The underlying investment policy calls for an asset allocation assuming moderate risk and is reviewed annually. The spending from the fund is not formula driven but determined annually based on scholarship funding needs.

Note 5: Temporarily Restricted Net Assets

Due to the nature of its signature program, the Foundation receives significant donations with donor-imposed restrictions as to use. At December 31, 2012, the unexpended portion of these items totaled \$1,319,127. Activity for the year ended December 31, 2012 within this category of net assets was as follows:

<u>Donor restricted purpose</u>	<u>Balance</u> <u>12/31/11</u>	<u>Current Year</u>		<u>Balance</u> <u>12/31/12</u>
		<u>Receipts</u>	<u>Expenditures</u>	
Sponsored Dreamer classes:				
- Records/Rainaldi class	\$ 42,157	\$ 84,464	\$ (86,500)	\$ 40,121
- Weill class	189,491	134,100	(88,559)	235,032
- Anabel McHugh class	64,933	80,743	(86,261)	59,415
- Helen McLoraine class	112,987	102,147	(125,194)	89,940
- Denver Active 20/30 class	48,049	179,242	(106,422)	120,869
 Scholarship Fund	 777,656	 5,452	 (64,070)	 719,038
 Endowment Fund	 48,416	 6,296	 --	 54,712
	<u>\$1,283,689</u>	<u>\$592,444</u>	<u>\$(557,006)</u>	<u>\$1,319,127</u>