

I HAVE A DREAM FOUNDATION - COLORADO

FINANCIAL STATEMENTS

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DECEMBER 31, 2011

CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1
Statement of Financial Position	2
Statement of Activity	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

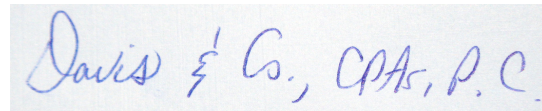
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of I Have a Dream Foundation - Colorado (a nonprofit corporation) as of December 31, 2011 and the related statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 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 - Colorado as of December 31, 2011 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A rectangular box containing a handwritten signature in blue ink that reads "Davis & Co., CPAs, P.C.".

Davis & Co., CPAs, P.C.
Certified Public Accountants

Highlands Ranch, Colorado
June 19, 2012

I HAVE A DREAM FOUNDATION - COLORADO

Statement of Financial Position

December 31, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 299,160	\$ 225,057	\$ --	\$ 524,217
Grants & pledges receivable	1,500	410,000	--	411,500
Prepaid expenses & deposits	<u>17,661</u>	<u>--</u>	<u>--</u>	<u>17,661</u>
	318,321	635,057	--	953,378
Investments, cost of \$123,123.	--	648,632	164,000	812,632
Furniture, equipment & vehicle, at cost	74,135	--	--	74,135
Less: accumulated depreciation	<u>(66,151)</u>	<u>--</u>	<u>--</u>	<u>(66,151)</u>
	<u>7,984</u>	<u>--</u>	<u>--</u>	<u>7,984</u>
	<u>\$326,305</u>	<u>\$1,283,689</u>	<u>\$164,000</u>	<u>\$1,773,994</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 12,324	\$ --	\$ --	\$ 12,324
Accrued compensated absences	<u>12,797</u>	<u>--</u>	<u>--</u>	<u>12,797</u>
	25,121	--	--	25,121
Net assets	<u>301,184</u>	<u>1,283,689</u>	<u>164,000</u>	<u>1,748,873</u>
	<u>\$326,305</u>	<u>\$1,283,689</u>	<u>\$164,000</u>	<u>\$1,773,994</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, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Direct & indirect contributions	\$ 288,651	\$ 166,926	\$ 5,000	\$ 460,577
Foundations & corporations	247,806	305,000	--	552,806
Government grants	17,984	--	--	17,984
Special events, net	145,068	--	--	145,068
In-kind contributions	241,753	--	--	241,753
Investment income realized	3,918	16,388	--	20,306
Unrealized gains (losses)	--	<u>2,547</u>	--	<u>2,547</u>
	<u>945,180</u>	<u>490,861</u>	<u>5,000</u>	<u>1,441,041</u>
 Net assets released by the passage of time or satisfaction of program restrictions	 <u>542,876</u>	 <u>(542,876)</u>	 <u>--</u>	 <u>--</u>
 Total public support and revenue	 1,488,056	 (52,015)	 5,000	 1,441,041
FUNCTIONAL EXPENSES				
Program services:				
Dreamer's classes	1,312,742			1,312,742
Supporting services:				
Management & general	93,874			93,874
Financial development	<u>80,039</u>			<u>80,039</u>
	<u>173,913</u>			<u>173,913</u>
Total functional expenses	<u>1,486,655</u>			<u>1,486,655</u>
 CHANGE IN NET ASSETS	 1,401	 (52,015)	 5,000	 (45,614)
 Net assets beginning of year	 <u>299,783</u>	 <u>1,335,704</u>	 <u>159,000</u>	 <u>1,794,487</u>
 Net assets, end of year	 <u>\$301,184</u>	 <u>\$1,283,689</u>	 <u>\$164,000</u>	 <u>\$1,748,873</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, 2011

	<u>Supporting Services</u>				
	Program Services	General	Financial		
	<u>- Dreamers</u>	and	Development	<u>Total</u>	<u>Total</u>
		Administrative			Expenses
Personnel expenses	\$ 767,207	\$ 40,917	\$ 44,327	\$ 85,244	\$ 852,451
In-kind contributed expenses	223,253	5,500	13,000	18,500	241,753
Scholarships	73,649	--	--	--	73,649
Direct program costs	87,296	--	--	--	87,296
Occupancy costs	40,461	13,486	--	13,486	53,947
Professional services	15,717	10,831	7,500	18,331	34,048
Travel & transportation	30,028	6,760	--	6,760	36,788
Telecommunications & internet	18,133	1,419	720	2,139	20,272
Training & development	19,039	--	--	--	19,039
Office supplies & expenses	12,019	3,204	801	4,005	16,024
Advertising & promotion	--	--	12,258	12,258	12,258
Dues, licenses & subscriptions	7,161	5,729	1,433	7,162	14,323
Meetings & conferences	10,562	3,289	--	3,289	13,851
Insurance costs	4,612	1,538	--	1,538	6,150
Depreciation expense	<u>3,605</u>	<u>1,201</u>	<u>--</u>	<u>1,201</u>	<u>4,806</u>
 Total expenses	 <u>\$1,312,742</u>	 <u>\$93,874</u>	 <u>\$80,039</u>	 <u>\$173,913</u>	 <u>\$1,486,655</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, 2011

CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	\$ (45,614)
Adjustments to reconcile to net cash provided by operating activities:	
Unrealized gains	(2,547)
Depreciation	4,806
Changes in operating assets and liabilities:	
Increase in grants & pledges receivable	(41,500)
Decrease in certificates of deposit	100,000
Decrease in prepaid expenses & deposits	375
Decrease in accounts payable	(9,077)
Increase in accrued compensated absences	<u>12,797</u>
Net cash provided by operating activities	19,240

Cash flow from investing activity:

Sales (purchases) of investments, net	1,018
Additions to fixed long-lived assets	<u>(4,692)</u>
	(3,674)

INCREASE IN CASH AND CASH EQUIVALENTS 22,914

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 501,303

CASH AND CASH EQUIVALENTS - END OF YEAR \$524,217

Supplemental disclosure of cash flow information:

Cash basis operating activity:	
Interest and dividend income	<u>\$20,306</u>

The accompanying notes are a part of this statement.

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2011

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, 2011

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, 2011 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 2011 was \$4,806.

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 \$812,632 (cost basis of \$829,508). 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 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 2011 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	\$ 185,500
Travel & transportation	25,000
Direct program costs	18,303
Office supplies & expenses	10,000
Occupancy costs	<u>2,950</u>
	<u>\$241,753</u>

(Continued)

I HAVE A DREAM FOUNDATION - COLORADO

Notes to Financial Statements

December 31, 2011

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, 2011 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 \$41,500 of grants and \$370,000 of pledges receivable at December 31, 2011 are both due from known sources which the Foundation is familiar 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. Tax status

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and believes it has complied with all requirements necessary to maintain its status..

Effective January 1, 2010 the Foundation adopted FASB ASC Interpretation #740 "Accounting for Uncertainty in Income Taxes" (ASC 740), which interpreted various previous announcements with respect to the accounting for all tax positions taken (or expected to be taken) on any income tax return. The Foundation determined 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 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 2012 is \$32,025. During 2013 and 2014 the minimum annual rent will increase by any changes in the Consumer Price Index formula. Rent expense incurred during 2011 under the predecessor lease agreement of \$34,584 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, 2011

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 \$73,649 in 2011, is paid for by a pool of temporarily restricted net assets which are primarily invested in mutual funds and amounted to \$826,072 at December 31, 2011. (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 2011 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, 2011, the unexpended portion of these items totaled \$1,283,689. Activity for the year ended December 31, 2011 within this category of net assets was as follows:

<u>Donor restricted purpose</u>	<u>Balance</u> <u>12/31/10</u>	<u>Current Year</u>		<u>Balance</u> <u>12/31/11</u>
		<u>Receipts</u>	<u>Expenditures</u>	
Sponsored Dreamer classes:				
- Records/Rainaldi class	\$ 39,691	\$ 87,000	\$ (84,534)	\$ 42,157
- Weill class	236,527	60,100	(107,136)	189,491
- Anabel McHugh class	67,030	83,583	(85,680)	64,933
- Helen McLoraine class	107,098	106,543	(100,654)	112,987
- Denver Active 20/30 class	52,812	75,000	(79,763)	48,049
Other	5,867	--	(5,867)	--
Scholarship Fund	781,048	73,762	(77,154)	777,656
Endowment Fund	45,631	4,873	(2,088)	48,416
	<u>\$1,335,704</u>	<u>\$490,861</u>	<u>\$(542,876)</u>	<u>\$1,283,689</u>