

**DOMINICAN REPUBLIC EDUCATION
AND MENTORING PROJECT, INC.**

FINANCIAL STATEMENTS

June 30, 2012 and 2011

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Montgomery & Merrill PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dominican Republic Education and Mentoring Project, Inc.

We have audited the accompanying statements of financial position of Dominican Republic Education and Mentoring Project, Inc. (a nonprofit organization) as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Dominican Republic Education and Mentoring Project, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Dominican Republic Education and Mentoring Project, Inc., as of June 30, 2012 and 2011 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Montgomery & Merrill PC

Burlington, Vermont
Registration No. 449
February 14, 2013

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 292,768	\$ 195,600
Unconditional promises to give	1,294	5,180
Prepaid expenses and other assets	<u>8,386</u>	<u>566</u>
Total current assets	302,448	201,346
PROPERTY AND EQUIPMENT, net	<u>413,000</u>	<u>400,751</u>
	<u>\$ 715,448</u>	<u>\$ 602,097</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 41,757</u>	<u>\$ 14,947</u>
Total current liabilities	<u>41,757</u>	<u>14,947</u>
NET ASSETS		
Unrestricted	479,518	564,843
Temporarily restricted	<u>194,173</u>	<u>22,307</u>
	<u>673,691</u>	<u>587,150</u>
	<u>\$ 715,448</u>	<u>\$ 602,097</u>

See Notes to Financial Statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 432,644	\$ 523,978
Donated services and materials	364,434	306,962
Project service fees	55,561	89,322
Government grants	2,575	33,444
Special event income, net	25,733	8,316
Interest income	232	153
Other income	<u>1,732</u>	<u>1,896</u>
Total revenue and support	<u>882,911</u>	<u>964,071</u>
Net assets released from restrictions		
Restrictions released by donor	--	32,118
Satisfaction of program restrictions	<u>38,679</u>	<u>58,716</u>
Total unrestricted revenue and support	<u>921,590</u>	<u>1,054,905</u>
Expenses:		
Program services		
Montessori preschools	198,673	194,460
Community programs	202,392	138,116
Summer school & camps	190,449	253,668
Year-long youth	<u>230,239</u>	<u>201,699</u>
Total program services	821,753	787,943
Supporting services		
Management and general	73,230	66,129
Fundraising	<u>111,933</u>	<u>100,586</u>
Total expenses	<u>1,006,916</u>	<u>954,658</u>
Increase in unrestricted net assets	<u>(85,326)</u>	<u>100,247</u>
Changes in temporarily restricted net assets		
Contributions	210,546	46,860
Net assets released from restrictions	<u>(38,679)</u>	<u>(90,834)</u>
Increase (decrease) in temporarily restricted net assets	<u>171,867</u>	<u>(43,974)</u>
Increase in net assets	86,541	56,273
Net assets, beginning	<u>587,150</u>	<u>530,877</u>
Net assets, ending	<u>\$ 673,691</u>	<u>\$ 587,150</u>

See Notes to Financial Statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 86,541	\$ 56,273
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	35,633	30,678
Loss on disposal of equipment	66	627
Changes in:		
Unconditional promise to give	3,886	7,236
Prepaid expenses and other assets	(7,820)	12,609
Accounts payable and accrued expenses	<u>26,810</u>	<u>588</u>
Net cash provided by operating activities	<u>145,116</u>	<u>108,011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	328	1,452
Purchase of property and equipment	<u>(48,276)</u>	<u>(60,643)</u>
Net cash used by investing activities	<u>(47,948)</u>	<u>(59,191)</u>
Net increase in cash and cash equivalents	97,168	48,820
Cash and cash equivalents:		
Beginning	<u>195,600</u>	<u>146,780</u>
Ending	<u>\$ 292,768</u>	<u>\$ 195,600</u>

See Notes to Financial Statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization

Dominican Republic Education And Mentoring Project, Inc., also known as The DREAM Project (the Organization, DREAM), is a 501(c)(3) non-profit organization that works to improve the education of impoverished youth in the Dominican Republic (DR). Their mission is to run inclusive, sustainable education programs for children and youth in the Dominican Republic that can be replicated throughout impoverished global communities. The DREAM Project provides quality education for over 2,000 children annually through 24 programs in 11 different communities affecting the lives of over 4,000 community members.

The DREAM Project's major programs consist of the following:

Montessori Preschools introduce disadvantaged children to superior education to provide a foundation for future life challenges. In addition to academic benefits, this program addresses the children's malnourishment and basic health problems.

Community programs consist of several public libraries, computer literacy, teacher training, other public school support, and a birth certificate program that helps document children born in the DR. DREAM also offers opportunities for US and Canadian schools to send students to the Dominican Republic to complete community service projects.

Summer school and camps are four-week full-day academic programs for at-risk youth in various communities in the Dominican Republic. In addition to core educational subjects designed to reverse drop-out rates and risky behaviors, the programs provide traditional camp activities and field trips for the children.

Year-long youth programs consist of the following:

Young Stars is a program providing leadership and literacy courses in an extra-curricular format for at-risk adolescents during the school year. Courses include English, art, reading, writing, math, computers, music and library skills.

A Ganar is a work force training program for ages 16-24 that offers leadership and employment skills as well as internships in local businesses.

Deportes Para la Vida is an HIV/AIDS prevention and health education program that uses soccer, games, and peer mentoring to engage youth in the creation and practice of healthy life choices.

NOTES TO FINANCIAL STATEMENTS

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

A summary of significant accounting policies follows:

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) 958-205-05, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC 958-205-05, 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.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions and unconditional promises to give

Contributions are recognized when the donor makes the promise to give to the Organization 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. Amounts received that are designated for future periods and 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.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

NOTES TO FINANCIAL STATEMENTS

Note 2. Unconditional Promises to Give

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

Note 3. Restrictions on Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2012</u>	<u>2011</u>
Callejon Park	\$ 4,475	\$ 5,152
Abreu Development	15,710	5,000
Music program	2,954	1,000
Public library	5,751	10,549
Summer school & camps	105,230	--
DREAM Mobile Library	51,232	--
Deportes Para laVida	8,516	--
Documentation program	<u>305</u>	<u>606</u>
	<u>\$ 194,173</u>	<u>\$ 22,307</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

		<u>2012</u>	<u>2011</u>
Buildings and improvements	40 years	\$ 324,171	\$ 314,688
Equipment and vehicles	5 years	120,461	93,583
Furniture and furnishings	5 years	34,661	29,717
Library	3 years	<u>28,979</u>	<u>22,402</u>
		508,272	460,390
Less accumulated depreciation		<u>(140,035)</u>	<u>(104,402)</u>
		368,237	355,988
Land		<u>44,763</u>	<u>44,763</u>
		<u>\$ 413,000</u>	<u>\$ 400,751</u>
Depreciation expense		<u>\$ 35,633</u>	<u>\$ 30,678</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Special Events

Special events consisted of the following events and reported revenues and expenses as follows:

	<u>2012</u>	<u>2011</u>
DREAM-in Live Event		
Revenue	\$ 15,981	\$ 25,968
In-kind Revenue	9,287	--
Less:		
Direct expenses	11,417	17,652
In-kind expenses	<u>22,512</u>	<u>--</u>
	<u>(8,661)</u>	<u>8,316</u>
February 29 th Fundraiser		
Revenue	47,160	--
In-kind revenue	16,187	--
Less:		
Direct Expenses	12,876	--
In-kind expenses	<u>18,474</u>	<u>--</u>
	<u>31,997</u>	<u>--</u>
Cigar Event		
Revenue	3,535	--
Less: Direct Expenses	<u>1,138</u>	<u>--</u>
	<u>2,397</u>	<u>--</u>
	<u>\$ 25,733</u>	<u>\$ 8,316</u>

Note 6. Donated Services

Donated services that met the definition for recognition in the financial statements were used as follows:

	<u>2012</u>	<u>2011</u>
Professional services		
Montessori Preschool	\$ 6,352	\$ 15,420
Summer school & camps	137,233	106,788
Year-long youth	114,962	78,801
Other programs	15,332	9,555
Administration	<u>13,430</u>	<u>19,600</u>
Total	<u>\$ 287,309</u>	<u>\$ 230,164</u>

The value of contributed services received but not recognized cannot be estimated.

NOTES TO FINANCIAL STATEMENTS

Note 7. Income Taxes

Exempt status

The Organization is a non-profit corporation whose revenues are derived primarily from contributions and is not subject to federal or state income taxes. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is liable for taxes on unrelated business income only. There is currently no obligation for unrelated business income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has a classification that is not a private foundation under Section 509(a)(2).

Uncertain tax positions

As evaluated against criteria established by professional standards, management believes there are no significant tax positions requiring accounting recognition in the financial statements. The Organization's federal Forms 990 are subject to examination by the Internal Revenue Service generally for the years ended June 2011, 2010, and 2009.

Note 8. Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

Note 9. Commitment and Contingency

The Organization occupies office space in the United States on a month-to-month basis at \$125 per month, and in the Dominican Republic under a lease at approximately \$490 per month through November 2012. Future minimum lease payments in the aggregate and for each of the remaining years under the lease are as follows:

2012	\$ 5,800
2013	<u>2,450</u>
Total	<u>\$ 8,250</u>

Rent expense for the years ended June 30, 2012 and 2011 was \$6,615 and \$7,936, respectively.

Government supported projects are subject to audit by the granting agency.

NOTES TO FINANCIAL STATEMENTS

Note 10. Reclassification

Certain amounts in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 presentation.

Note 11. Subsequent Events

The Organization has evaluated subsequent events through February 14, 2013, the date that the financial statements are considered available to be issued.

SUPPLEMENTARY INFORMATION

Montgomery & Merrill PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Dominican Republic Education and Mentoring Project, Inc.

We have audited the financial statements of Dominican Republic Education and Mentoring Project, Inc. as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated February 14, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The prior year summarized comparative information has been derived from the Organization's 2011 supplementary information and, in our report dated May 7, 2012, our report stated that the information was fairly stated in relation to the basic financial statements as a whole.

Montgomery & Merrill PC

Burlington, Vermont
Registration No. 449
February 14, 2013

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

SCHEDULE OF PROGRAM EXPENSES

Year ended June 30, 2012, with Comparative Totals for June 30, 2011

		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2012 Total Expenses</u>	<u>2011 Total Expenses</u>
Montessori Preschool Programs	\$ 151,235	\$ --	\$ --	\$ 151,235	\$ 144,944
Community Programs					
Public Libraries	20,245	--	--	20,245	10,569
Community Programs	14,673	--	--	14,673	42,680
Computer Literacy	3,661	--	--	3,661	1,106
Student Trip Community Service	43,600	--	--	43,600	22,400
Teacher Training	19,144	--	--	19,144	12,544
Public School Support	2,022	--	--	2,022	4,133
Summer School & Camps	160,518	--	--	160,518	211,331
Year-long Youth Programs					
Young Stars	120,188	--	-	120,188	124,599
Health Education (Deportes Para la Vida)	15,970	--	--	15,970	750
Workforce Training Program (A Ganar)	46,897	--	--	46,897	11,178
Supporting Services - Allocated					
DREAM Center	80,109	--	--	80,109	61,871
Fund Development	22,593		73,409	96,002	91,649
US Office Expenses	28,383	47,305	18,922	94,610	80,529
DR Office Expenses	7,804	13,005	5,202	26,011	24,911
Shared Administration Costs	53,478	11,460	11,460	76,398	78,786
Depreciation	<u>31,233</u>	<u>1,460</u>	<u>2,940</u>	<u>35,633</u>	<u>30,678</u>
2012 Total Expenses	<u>\$ 821,753</u>	<u>\$ 73,230</u>	<u>\$ 111,933</u>	<u>\$1,006,916</u>	
2011 Total Expenses	<u>\$ 787,943</u>	<u>\$ 66,129</u>	<u>\$ 100,586</u>		<u>\$ 954,658</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2012, with Comparative Totals for June 30, 2011

	Montessori <u>Preschools</u>	Community <u>Programs</u>	Summer School & <u>Camps</u>	Year-Long <u>Youth</u>	Total <u>Program</u>	Management & General	<u>Fund-Raising</u>	2012 Total <u>Expenses</u>	2011 Total <u>Expenses</u>
Brochures & marketing	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 427	\$ 4,951	\$ 5,378	\$ 6,241
Payroll & related	103,039	28,977	7,622	5,020	144,658	36,881	52,810	234,349	220,644
Events and trips	1,095	2,039	2,364	1,882	7,380	275	--	7,655	15,118
In-kind goods	6,825	3,146	5,139	12,867	27,977	--	2,142	30,119	55,622
Insurance	622	--	134	--	756	1,083	449	2,288	1,802
Meals	10,951	30	15,434	4,362	30,777	5	542	31,324	31,441
Miscellaneous	--	692	129	2,459	3,280	1,930	982	6,192	1,999
Office supplies	3,038	529	--	543	4,110	1,076	62	5,248	4,472
Phone & internet	8	5	163	47	223	1,434	1,963	3,620	3,627
Postage & shipping	--	626	--	14	640	82	469	1,191	937
Printing & copying	309	--	460	331	1,100	243	--	1,343	2,563
Professional fees	--	29	134	--	163	16,031	500	16,694	7,360
Program development	--	--	--	1,099	1,099	--	--	1,099	--
School supplies	2,356	444	8,085	400	11,285	--	--	11,285	14,479
Staff development	9,840	--	--	1,433	11,273	180	--	11,453	14,231
Travel & transportation	4,874	2,054	9,548	4,600	21,076	1,036	6,959	29,071	18,806
Occupancy	2,693	7,108	18,109	33,903	61,813	5,162	--	66,975	97,006
Volunteer services	5,585	57,665	93,199	114,095	270,544	5,925	1,580	278,049	220,682
Overhead allocation	40,841	81,727	27,450	42,348	192,366	--	35,584	227,950	206,950
Depreciation	<u>6,597</u>	<u>17,321</u>	<u>2,479</u>	<u>4,836</u>	<u>31,233</u>	<u>1,460</u>	<u>2,940</u>	<u>35,633</u>	<u>30,678</u>
2012 Total expenses	<u>\$ 198,673</u>	<u>\$ 202,392</u>	<u>\$ 190,449</u>	<u>\$ 230,239</u>	<u>\$ 821,753</u>	<u>\$ 73,230</u>	<u>\$ 111,933</u>	<u>\$1,006,916</u>	
2011 Total expenses	<u>\$ 194,460</u>	<u>\$ 138,116</u>	<u>\$ 253,668</u>	<u>\$ 201,669</u>	<u>\$ 787,943</u>	<u>\$ 66,129</u>	<u>\$ 100,586</u>		<u>\$ 954,658</u>