

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

**FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

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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 financial statements of Dominican Republic Education and Mentoring Project, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities and cash flows for the years 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 auditing standards 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 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 audits 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 assessment of the risk 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 opinion.

### **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, 2014 and 2013 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Burlington, Vermont  
Registration No. 449  
May 15, 2015

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 238,652	\$ 284,690
Board designated cash	490,221	219,473
Unconditional promises to give	9,798	43,428
Prepaid expenses and other assets	<u>14,595</u>	<u>8,117</u>
Total current assets	753,266	555,708
PROPERTY AND EQUIPMENT, net	<u>390,725</u>	<u>393,910</u>
	<u>\$1,143,991</u>	<u>\$ 949,618</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 20,911	\$ 28,495
Deferred revenue	<u>15,000</u>	<u>--</u>
Total current liabilities	<u>35,911</u>	<u>28,495</u>
NET ASSETS		
Unrestricted		
Unrestricted	483,198	551,541
Board Designated Endowment	490,221	219,473
Temporarily restricted	<u>134,661</u>	<u>150,109</u>
	<u>1,108,080</u>	<u>921,123</u>
	<u>\$1,143,991</u>	<u>\$ 949,618</u>

See Notes to Financial Statements.

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

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 728,380	\$ 596,308
Service learning trips, net	93,301	153,003
Donated services and materials	345,929	425,692
Project service fees	45,218	34,472
Special event income, net	23,664	58,839
Interest income	109	159
Other income	<u>685</u>	<u>519</u>
Total revenue and support	1,237,286	1,268,992
Net assets released from restrictions		
Satisfaction of program restrictions	<u>165,952</u>	<u>166,068</u>
Total unrestricted revenue and support	<u>1,403,238</u>	<u>1,435,060</u>
Expenses:		
Program services		
Montessori preschools	223,286	231,712
Youth programs	491,115	455,749
Community programs	219,440	180,472
Service learning trips	<u>77,967</u>	<u>87,738</u>
Total program services	1,011,808	955,671
Supporting services		
Management and general	83,625	67,542
Fundraising	<u>105,401</u>	<u>120,351</u>
Total expenses	<u>1,200,834</u>	<u>1,143,564</u>
Increase in unrestricted net assets	<u>202,404</u>	<u>291,496</u>
Changes in temporarily restricted net assets		
Contributions	150,505	122,004
Net assets released from restrictions	<u>(165,952)</u>	<u>(166,068)</u>
Decrease in temporarily restricted net assets	<u>(15,447)</u>	<u>(44,064)</u>
Increase in net assets	186,957	247,432
Net assets, beginning	<u>921,123</u>	<u>673,691</u>
Net assets, ending	<u>\$1,108,080</u>	<u>\$ 921,123</u>

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 186,957	\$ 247,432
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	36,123	35,914
Gain on disposal of equipment	(789)	--
Changes in:		
Unconditional promise to give	33,630	(42,134)
Prepaid expenses and other assets	(6,477)	1,895
Accounts payable and accrued expenses	(7,584)	(14,888)
Deferred revenue	<u>15,000</u>	<u>--</u>
Net cash provided by operating activities	<u>256,860</u>	<u>228,219</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	789	--
Purchase of property and equipment	<u>(32,939)</u>	<u>(16,824)</u>
Net cash used by investing activities	<u>(32,150)</u>	<u>(16,824)</u>
Net increase in cash and cash equivalents	224,710	211,395
Cash and cash equivalents:		
Beginning	<u>504,163</u>	<u>292,768</u>
Ending	<u>\$ 728,873</u>	<u>\$ 504,163</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 for all children and youth in the Dominican Republic to have equal opportunities to learn and realize their full potential through transformative education programs that combat the effects of poverty. DREAM believes that learning changes lives. Their programs extend from early childhood through young adulthood, empowering at-risk children and youth to create a better future for themselves and their families through high quality education, youth development, and community enrichment. DREAM ensures successful results through careful analysis, a commitment to learning, and continuous improvement. Their innovative approach effectively addresses local needs and can be replicated throughout high poverty global communities. The DREAM Project provides quality education for more than 4,500 children annually through 14 different programs across 15 communities, affecting the lives of more than 7,000 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, a mobile library served by two mobile vans, teacher training, community support, public school support, and a birth certificate program that helps undocumented children born in the DR.

**Service Learning Trips** are offered to schools worldwide to send students to the Dominican Republic to complete community service projects. They ensure our local communities receive the support they need, while empowering international volunteers and enhancing their understanding of global citizenship.

**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, and library skills.

**The Computer Literacy Program** provides poor and under-resourced schools and education centers with access to information technology that allows students and community members to acquire the skills needed to succeed in the 21<sup>st</sup> century.

## NOTES TO FINANCIAL STATEMENTS

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

**The Music Education Program** includes individual direct instruction, instrumentation practice, group classes, and public performances. It fosters social development, encourages personal growth and artistic development, and strengthens values among at-risk children and youth.

**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.

**Summer Schools 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.

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.



## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

### Note 2. Unconditional Promises to Give

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant, and no allowance has been recorded.

### Note 3. Property and Equipment

Property and equipment consists of the following at June 30:

		<u>2014</u>	<u>2013</u>
Buildings and improvements	40 years	\$ 324,580	\$ 324,171
Equipment and vehicles	5 years	151,767	124,742
Furniture and furnishings	5 years	44,325	41,014
Library	3 years	<u>36,211</u>	<u>35,169</u>
		556,883	525,096
Less accumulated depreciation		<u>(210,921)</u>	<u>(175,949)</u>
		345,962	349,147
Land		<u>44,763</u>	<u>44,763</u>
		<u>\$ 390,725</u>	<u>\$ 393,910</u>
Depreciation expense		<u>\$ 36,123</u>	<u>\$ 35,914</u>

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Board Designated Endowment**

The Board designated endowment consists of unrestricted net assets that the Board of Directors has chosen to hold as a general endowment fund to be used for future operations. The Board has not yet formulated its return objectives and risk parameters. The funds are currently invested in cash. The Board's objective is to grow the Fund assets and use the funds for operations as needed.

Changes in unrestricted net assets that are board designated as an endowment for the year ended June 30, 2014 consist of the following:

Beginning Balance	\$ 219,473
Contributions	<u>270,748</u>
Ending Balance	<u>\$ 490,221</u>

**Note 5. Restrictions on Net Assets**

Temporarily restricted net assets are restricted as follows:

	<u>2014</u>	<u>2013</u>
Callejon Park	\$ 3,096	\$ 3,941
Abreu Development	44,792	25,849
Music Program	--	1,257
Public Library	1,417	2,026
Summer School & Camps	--	44,282
DREAM Mobile Library	46,969	60,469
RC 22	2,357	--
Community Support	35,963	12,218
Documentation Program	<u>67</u>	<u>67</u>
	<u>\$ 134,661</u>	<u>\$ 150,109</u>

**Note 6. Donated Services**

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

	<u>2014</u>	<u>2013</u>
Professional services		
Montessori Preschool	\$ 29,069	\$ 32,800
Youth Programs	187,233	200,210
Community Programs	23,120	40,725
Service Learning Trips	57,775	48,250
Special Events	--	12,000
Supporting Services	<u>4,516</u>	<u>980</u>
Total	<u>\$ 301,713</u>	<u>\$ 334,965</u>

The value of contributed services received but not recognized for service learning trips in 2014 is estimated to be \$57,775. Other contributed services received but not recognized cannot be estimated.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Special Events

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

	<u>2014</u>	<u>2013</u>
Other Events		
Revenue	\$ 10,335	\$ 5,445
In-kind Revenue	--	500
Less:		
Direct expenses	3,100	28
In-kind expenses	<u>--</u>	<u>500</u>
	<u>7,235</u>	<u>5,417</u>
New York City Event		
Revenue	--	106,264
In-kind revenue	--	26,652
Less:		
Direct Expenses	--	31,363
In-kind expenses	<u>--</u>	<u>59,041</u>
	<u>--</u>	<u>42,512</u>
Santo Domingo Event		
Revenue	13,611	--
Less: Direct Expenses	<u>186</u>	<u>--</u>
	<u>13,425</u>	<u>--</u>
Brunch and Auction Event		
Revenue	5,503	3,071
In-kind revenue	6,245	7,758
Less:		
Direct expenses	2,499	1,871
In-kind expenses	<u>6,245</u>	<u>7,758</u>
	<u>3,004</u>	<u>1,200</u>
	<u>\$ 23,664</u>	<u>\$ 49,129</u>

### Note 8. Service Learning Trips

Revenue received for service learning trips is shown net of the direct costs for student housing and meals of \$64,222 and \$82,913 for years ended June 30, 2014 and 2013, respectively.

### Note 9. 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 10. 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 2013, 2012, and 2011.

### Note 11. 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 \$422 per month through November 2014. Future minimum lease payments in the aggregate and for each of the remaining years under the lease are as follows:

2014	\$ 5,064
2015	<u>1,220</u>
Total	<u>\$ 6,284</u>

Rent expense for the years ended June 30, 2014 and 2013 was \$6,564 and \$6,792, respectively.

### Note 12. Reclassification

Certain amounts in the June 30, 2013 financial statements and supplementary information comparative totals have been reclassified to conform to the June 30, 2014 presentation.

### Note 13. Subsequent Events

The Organization has evaluated subsequent events through May 15, 2015, 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. for years ending June 30, 2014 and 2013 and have issued our report thereon dated May 15, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic 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 audits of the basic financial statements 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 basic financial statements taken as a whole.



Burlington, Vermont  
Registration No. 449  
May 15, 2015

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

**SCHEDULE OF PROGRAM EXPENSES**

**Year ended June 30, 2014, with Comparative Totals for June 30, 2013**

		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total Expenses</u>	<u>2013 Total Expenses</u>
Montessori Preschool Programs	\$ 175,334	\$ --	\$ --	\$ 175,334	\$ 188,126
Youth Programs					
Young Stars	89,043	--	--	89,043	104,717
Health Education (Deportes Para la Vida)	28,942	--	--	28,942	20,643
Computer Literacy	6,264	--	--	6,264	5,137
Summer School Camps	142,646	--	--	142,646	158,949
Workforce Training Program (A Ganar)	81,326	--	--	81,326	58,265
Music program	48,661	--	--	48,661	14,400
Community Programs					
Public Libraries	28,212	--	--	28,212	53,904
Community Action	110,558	--	--	110,558	50,699
Teacher Training	24,276	--	--	24,276	27,822
Public School Support	1,166	--	--	1,166	1,881
Service Learning Trips	57,775	-	--	57,775	48,250
Supporting Services - Allocated					
DREAM Center	51,596	--	--	51,596	52,363
Fund Development	20,192	--	60,574	80,766	122,380
US Office Expenses	29,410	49,017	19,607	98,034	68,275
DR Office Expenses	11,077	18,462	7,385	36,924	33,416
Shared Administration Costs	72,232	15,478	15,478	103,188	98,423
Depreciation	<u>33,098</u>	<u>668</u>	<u>2,357</u>	<u>36,123</u>	<u>35,914</u>
2014 Total Expenses	<u>\$1,011,808</u>	<u>\$ 83,625</u>	<u>\$ 105,401</u>	<u>\$1,200,834</u>	
2013 Total Expenses	<u>\$ 955,671</u>	<u>\$ 67,542</u>	<u>\$ 120,351</u>		<u>\$1,143,564</u>

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

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2014, with Comparative Totals for June 30, 2013**

	Montessori <u>Preschools</u>	Youth <u>Programs</u>	Community <u>Programs</u>	Service Learning <u>Trips</u>	Total <u>Program</u>	Management & General	<u>Fund-Raising</u>	2014 Total <u>Expenses</u>	2013 Total <u>Expenses</u>
Bank fees	\$ --	\$ 23	\$ --	\$ --	\$ 23	\$ 2,947	\$ --	\$ 2,970	\$ 2,180
Brochures & marketing	--	52	--	1,476	1,528	672	4,428	6,628	6,351
Community support	--	3,665	81,672	--	85,337	--	--	85,337	37,223
Events and trips	9	8,540	167	--	8,716	373	--	9,089	3,572
In-kind goods	3,393	17,172	2,122	745	23,432	1,600	2,235	27,267	26,270
Insurance	232	671	--	--	903	448	--	1,351	1,711
Meals	13,590	14,435	1,288	--	29,313	512	--	29,825	34,552
Occupancy	4,074	25,403	6,111	--	35,588	5,119	--	40,707	40,744
Office	--	144	62	70	276	1,328	210	1,814	1,697
Payroll & related	111,787	76,901	34,165	16,590	239,443	45,224	49,768	334,435	333,770
Phone & internet	9	257	19	307	592	1,554	921	3,067	3,965
Postage & shipping	--	--	11	95	106	130	285	521	1,394
Printing & copying	81	347	382	39	849	786	117	1,752	1,085
Professional fees	--	212	334	62	608	18,542	186	19,336	7,926
Program development	--	--	--	--	--	--	--	--	1,943
School supplies	4,141	15,496	2,528	--	22,165	--	--	22,165	19,072
Staff development	3,571	418	664	--	4,653	170	--	4,823	16,981
Travel & transportation	3,553	15,429	6,273	808	26,063	1,294	2,424	29,781	31,450
Volunteer stipends	3,024	33,507	6,284	--	42,815	--	--	42,815	29,671
Volunteer services	27,870	184,210	22,130	57,775	291,985	2,258	--	294,243	319,225
Overhead allocation	41,174	85,158	37,983	--	164,315	--	42,470	206,785	186,868
Depreciation	<u>6,778</u>	<u>9,075</u>	<u>17,245</u>	<u>--</u>	<u>33,098</u>	<u>668</u>	<u>2,357</u>	<u>36,123</u>	<u>35,914</u>
2014 Total expenses	<u>\$ 223,286</u>	<u>\$ 491,115</u>	<u>\$ 219,440</u>	<u>\$ 77,967</u>	<u>\$1,011,808</u>	<u>\$ 83,625</u>	<u>\$ 105,401</u>	<u>\$1,200,834</u>	
2013 Total expenses	<u>\$ 231,712</u>	<u>\$ 455,749</u>	<u>\$ 180,472</u>	<u>\$ 87,738</u>	<u>\$ 955,671</u>	<u>\$ 67,542</u>	<u>\$ 120,351</u>		<u>\$1,143,564</u>