

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

FINANCIAL STATEMENTS

June 30, 2011 and 2010

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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.
Montpelier, VT

We have audited the accompanying statements of financial position of Dominican Republic Education and Mentoring Project, Inc., (a nonprofit organization) as of June 30, 2011 and the related statements of activities and cash flows for the year 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 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 Dominican Republic Education and Mentoring Project, Inc., as of June 30, 2011 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of Dominican Republic Education and Mentoring Project, Inc. as of June 30, 2010 were audited by other auditors whose report, dated July 28, 2011, expressed an unqualified opinion on those statements.

A handwritten signature in black ink that reads "Montgomery & Merrill PC". The signature is written in a cursive, flowing style.

Burlington, Vermont
Registration No. 449
May 7, 2012

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 195,600	\$ 146,780
Unconditional promises to give	5,180	12,416
Prepaid expenses and other assets	<u>566</u>	<u>13,175</u>
Total current assets	201,346	172,371
PROPERTY AND EQUIPMENT, net	<u>400,751</u>	<u>372,865</u>
	<u>\$ 602,097</u>	<u>\$ 545,236</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	<u>\$ 14,947</u>	<u>\$ 14,359</u>
Total current liabilities	<u>14,947</u>	<u>14,359</u>
NET ASSETS		
Unrestricted	564,843	464,596
Temporarily restricted	<u>22,307</u>	<u>66,281</u>
	<u>587,150</u>	<u>530,877</u>
	<u>\$ 602,097</u>	<u>\$ 545,236</u>

See Notes to Financial Statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 523,978	\$ 387,475
Donated services and materials	306,962	358,109
Project service fees	89,322	79,713
Government grants	33,444	20,000
Special event income, net	8,316	--
Interest income	153	267
Other income	<u>1,896</u>	<u>2,958</u>
Total revenue and support	<u>964,071</u>	<u>848,522</u>
Net assets released from restrictions		
Restrictions released by donor	32,118	--
Satisfaction of program restrictions	<u>58,716</u>	<u>128,494</u>
Total unrestricted revenue and support	<u>1,054,905</u>	<u>977,016</u>
Expenses:		
Program services		
Montessori preschools	194,460	135,164
Community programs	138,116	141,414
Summer school & camps	253,668	245,199
Year-long youth	<u>201,699</u>	<u>184,890</u>
Total program services	787,943	706,667
Supporting services		
Management and general	66,129	133,513
Fundraising	<u>100,586</u>	<u>60,608</u>
Total expenses	<u>954,658</u>	<u>900,788</u>
Increase in unrestricted net assets	<u>100,247</u>	<u>76,228</u>
Changes in temporarily restricted net assets		
Contributions	46,860	18,887
Net assets released from restrictions	<u>(90,834)</u>	<u>(128,494)</u>
Decrease in temporarily restricted net assets	<u>(43,974)</u>	<u>(109,607)</u>
Increase (decrease) in net assets	56,273	(33,379)
Net assets, beginning	<u>530,877</u>	<u>564,256</u>
Net assets, ending	<u>\$ 587,150</u>	<u>\$ 530,877</u>

See Notes to Financial Statements.

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 56,273	\$ (33,379)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	30,678	27,887
Loss on disposal of equipment	627	--
Changes in:		
Unconditional promise to give	7,236	110,419
Prepaid expenses and other assets	12,609	80
Accrued expenses	588	839
Deferred revenue	<u>--</u>	<u>(18,700)</u>
Net cash provided by operating activities	<u>108,011</u>	<u>87,146</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	1,452	--
Purchase of property and equipment	<u>(60,643)</u>	<u>(124,924)</u>
Net cash used by investing activities	<u>(59,191)</u>	<u>(124,924)</u>
Net increase (decrease) in cash and cash equivalents	48,820	(37,778)
Cash and cash equivalents:		
Beginning	<u>146,780</u>	<u>184,558</u>
Ending	<u>\$ 195,600</u>	<u>\$ 146,780</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.

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.

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 leadership program for ages 16-24 that offers employment skills and internships in local businesses.

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

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.

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>2011</u>	<u>2010</u>
Callejon Park	\$ 5,152	\$ --
Abreu Development	5,000	32,118
Music program	1,000	--
Public library	10,549	828
Carraballo	--	6,887
Summer school & camps	--	12,000
La Libertad	--	14,392
Other programs	<u>606</u>	<u>56</u>
	<u>\$ 22,307</u>	<u>\$ 66,281</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

		<u>2011</u>	<u>2010</u>
Buildings and improvements	40 years	\$ 314,688	\$ 296,034
Equipment and vehicles	5 years	93,583	98,361
Furniture and furnishings	5 years	29,717	31,313
Library	3 years	<u>22,402</u>	<u>19,170</u>
		460,390	444,878
Less accumulated depreciation		<u>(104,402)</u>	<u>(92,013)</u>
		355,988	352,865
Land		<u>44,763</u>	<u>20,000</u>
		<u>\$ 400,751</u>	<u>\$ 372,865</u>
Depreciation expense		<u>\$ 30,678</u>	<u>\$ 27,887</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Special Events

Special events consisted of the following:

	<u>2011</u>	<u>2010</u>
DREAM-in Live Event		
Revenue	\$ 25,968	\$ --
Direct expenses	<u>17,652</u>	<u>--</u>
	<u>\$ 8,316</u>	<u>\$ --</u>

Note 6. Donated Services

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

	<u>2011</u>	<u>2010</u>
Professional services		
Montessori Preschool	\$ 15,420	\$ 9,910
Summer school & camps	106,788	123,876
Year-long youth	78,801	105,070
Other programs	9,555	34,688
Administration	<u>19,600</u>	<u>530</u>
Total	<u>\$ 230,164</u>	<u>\$ 274,074</u>

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

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 2010, 2009, and 2008.

NOTES TO FINANCIAL STATEMENTS

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, 2011 and 2010 was \$7,936 and \$15,707, respectively.

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

Note 10. Reclassification

Certain amounts in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation.

Note 11. Subsequent Events

The Organization has evaluated subsequent events through May 7, 2012, 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.
Montpelier, VT

Our report on our audit of the basic financial statements of Dominican Republic Education and Mentoring Project, Inc. for the year ended June 30, 2011 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

The prior year summarized comparative information has been derived from the Organization's 2010 financial statements which were audited by other auditors whose report dated July 28, 2011 expressed an unqualified opinion on those financial statements.

A handwritten signature in black ink that reads "Montgomery & Merrill PC". The script is fluid and cursive, with the letters "M" and "P" being particularly large and stylized.

Burlington, Vermont
Registration No. 449
May 7, 2012

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

SCHEDULE OF PROGRAM EXPENSES

Year ended June 30, 2011, with Comparative Totals for June 30, 2010

	Program Services	Supporting Services		2011 Total Expenses	2010 Total Expenses
		Management And General	Fundraising		
Montessori Preschool Programs	\$ 144,944	\$ --	\$ --	\$ 144,944	\$ 141,202
Public Libraries	10,569	--	--	10,569	20,463
Community Programs	42,680	--	--	42,680	25,782
Computer Literacy	1,106	--	--	1,106	31,434
Summer School & Camps	211,331	--	--	211,331	235,256
Teacher Training	12,544	--	--	12,544	22,676
Health Education (Deportes Para la Vida)	750	--	--	750	--
Year-long Youth Programs (Young Stars)	124,599	--	--	124,599	157,380
Workforce Training Program (A Ganar)	11,178	--	--	11,178	--
Public School Support	4,133	--	--	4,133	4,834
Student Trip Community Service	22,400	--	--	22,400	15,000
DREAM Center	61,871	--	--	61,871	--
Fund Development	25,392	--	66,257	91,649	48,859
US Office Expenses	24,159	40,264	16,106	80,529	71,588
DR Office Expenses	7,473	12,456	4,982	24,911	25,616
Shared Administration Costs	55,150	11,818	11,818	78,786	72,811
Depreciation	<u>27,664</u>	<u>1,591</u>	<u>1,423</u>	<u>30,678</u>	<u>27,887</u>
Total Expenses	<u>\$ 787,943</u>	<u>\$ 66,129</u>	<u>\$ 100,586</u>	<u>\$ 954,658</u>	<u>\$ 900,788</u>

DOMINICAN REPUBLIC EDUCATION AND MENTORING PROJECT, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2011, with Comparative Totals for June 30, 2010

	Montessori <u>Preschools</u>	Community <u>Programs</u>	Summer School & <u>Camps</u>	Year-Long <u>Youth</u>	Student Trip Community <u>Service</u>	Total <u>Program</u>	Management & General	<u>Fund-</u> <u>Raising</u>	2011 Total <u>Expenses</u>	2010 Total <u>Expenses</u>
Salaries & payroll related	\$ 78,243	\$ 8,621	\$ 13,282	\$ 29,227	\$ 15,635	\$ 145,008	\$ 36,634	\$ 39,002	\$ 220,644	\$ 316,178
Volunteer professional services	19,686	6,158	106,788	78,475	--	211,107	9,575	--	220,682	324,023
Transportation & travel	4,114	5,388	7,750	4,459	--	21,711	973	6,225	28,909	67,811
Events & field trips	2,061	14	10,019	2,473	--	14,567	--	9,955	24,522	--
Occupancy	4,926	30,895	53,262	11,621	--	100,704	4,758	--	105,462	15,707
Insurance	--	--	187	--	--	187	1,615	--	1,802	2,764
Marketing	--	--	47	--	--	47	824	5,370	6,241	2,127
Bank charges	--	--	--	--	--	--	851	--	851	1,713
Office supplies	5,066	--	--	--	--	5,066	1,058	112	6,236	16,232
Miscellaneous	--	1,718	325	36	--	1,079	69	--	1,148	12,945
Postage	--	290	--	--	--	290	189	458	937	587
School supplies	9,526	1,066	6,539	20,640	--	37,771	--	2,603	40,374	22,816
Meals	11,028	--	11,710	1,271	6,765	30,774	83	584	31,441	31,464
Professional fees	--	1,106	--	--	--	1,106	6,254	--	7,360	26,896
Program development	--	--	--	--	--	--	--	--	--	8,743
Telephone	16	5	231	38	--	290	1,389	1,948	3,627	9,995
Printing & copying	352	--	836	1,139	--	2,327	236	--	2,563	1,588
Staff development	9,926	94	356	3,825	--	14,201	30	--	14,231	11,312
Overhead allocation	42,513	20,957	39,979	42,600	27,995	174,044	--	32,906	206,950	--
Depreciation	<u>7,003</u>	<u>12,352</u>	<u>2,357</u>	<u>5,895</u>	<u>57</u>	<u>27,664</u>	<u>1,591</u>	<u>1,423</u>	<u>30,678</u>	<u>27,887</u>
Total expenses	<u>\$ 194,460</u>	<u>\$ 87,664</u>	<u>\$ 253,668</u>	<u>\$ 201,699</u>	<u>\$ 50,452</u>	<u>\$ 787,943</u>	<u>\$ 66,129</u>	<u>\$ 100,586</u>	<u>\$ 954,658</u>	<u>\$ 900,788</u>