

**INDEPENDENT AUDITOR'S REPORT**

September 20, 2007

To the Board of Directors  
Dreams Can Be Foundation  
Johnstown, Pennsylvania

We have audited the accompanying statements of financial position of Dreams Can Be Foundation (a nonprofit organization) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years 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 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 Dreams Can Be Foundation at December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule A is presented for the purpose of additional analysis and is 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.

*Wessel & Company*  
WESSEL & COMPANY  
Certified Public Accountants

DREAMS CAN BE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2006 AND 2005

	2006	2005
<u>ASSETS</u>		
Current Assets		
Cash	\$ 10,863	\$ 36,589
Total Current Assets	10,863	36,589
Fixed assets - Net (Note 2)	3,451	4,651
Organization costs - Net (Note 1)	-	-
Total Assets	\$ 14,314	\$ 41,240
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,035	\$ 1,918
Total Current Liabilities	2,035	1,918
Net Assets		
Unrestricted	(23,808)	8,315
Temporarily restricted (Note 3)	36,087	31,007
Total Net Assets	12,279	39,322
Total Liabilities and Net Assets	\$ 14,314	\$ 41,240

See Independent Auditor's Report and  
Accompanying Notes to Financial Statements

DREAMS CAN BE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenues</u>			
Contributions	\$ 70,219	\$ 134,943	\$ 205,162
In-kind donations (Note 4)	-	-	-
Fundraising	880	37,296	38,176
Net assets released from restrictions (Note 3)	167,159	(167,159)	-
Total Support and Revenues	<u>238,258</u>	<u>5,080</u>	<u>243,338</u>
<u>Expenses</u>			
Brazil program grants	229,117	-	229,117
General and administrative	9,519	-	9,519
Fundraising	31,745	-	31,745
Total Expenses	<u>270,381</u>	<u>-</u>	<u>270,381</u>
Increase/(Decrease) in Net Assets	(32,123)	5,080	(27,043)
Net Assets - Beginning of Year	<u>8,315</u>	<u>31,007</u>	<u>39,322</u>
Net Assets - End of Year	<u>\$ (23,808)</u>	<u>\$ 36,087</u>	<u>\$ 12,279</u>

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DREAMS CAN BE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>			
Contributions	\$ 89,535	\$ 113,862	\$ 203,397
In-kind donations (Note 4)	3,805	-	3,805
Fundraising	73	34,230	34,303
Net assets released from restrictions (Note 3)	117,085	(117,085)	-
Total Support and Revenues	<u>210,498</u>	<u>31,007</u>	<u>241,505</u>
<u>Expenses</u>			
Brazil program grants	190,128	-	190,128
General and administrative	6,666	-	6,666
Fundraising	30,154	-	30,154
Total Expenses	<u>226,948</u>	<u>-</u>	<u>226,948</u>
Increase/(Decrease) in Net Assets	(16,450)	31,007	14,557
Net Assets - Beginning of Year	<u>24,765</u>	<u>-</u>	<u>24,765</u>
Net Assets - End of Year	<u>\$ 8,315</u>	<u>\$ 31,007</u>	<u>\$ 39,322</u>

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DREAMS CAN BE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in net assets	\$ (27,043)	\$ 14,557
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	1,200	1,099
Amortization	-	667
Donated computer equipment	-	(3,805)
Change in assets and liabilities:		
Accounts payable and accrued expenses	117	(770)
Total Adjustments	<u>1,317</u>	<u>(2,809)</u>
Net Cash Provided By/(Used In) Operating Activities	<u>(25,726)</u>	<u>11,748</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	<u>-</u>	<u>(1,001)</u>
Net Cash Provided By/(Used In) Investing Activities	<u>-</u>	<u>(1,001)</u>
Net Increase/(Decrease) in Cash	(25,726)	10,747
Cash - Beginning of Year	<u>36,589</u>	<u>25,842</u>
Cash - End of Year	<u>\$ 10,863</u>	<u>\$ - 36,589</u>
<b>Noncash Investing Activities:</b>		
Donated equipment	<u>\$ -</u>	<u>\$ 3,805</u>

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DREAMS CAN BE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Dreams Can Be Foundation, ("the Foundation"), is a not-for-profit organization established in December 2000. Its primary purpose is to offer aid to street children and impoverished youth in Brazil. The Organization works in partnership with local organizations and NGO's to provide: education, moral and social development, humanitarian relief, and the offering of opportunities where there were none before.

Accounting Method

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements for Not-for-Profit Organizations.*" Under SFAS No. 117, the Foundation 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.

Contributions

Contributions are accounted for following SFAS No. 116, "*Accounting for Contributions Received and Contributions Made.*" In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### Use of Estimates

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

### Related Party Transactions

Donations in the amount of \$-0- and \$30,000 were received from board members of the Organization during the years ended December 31, 2006 and 2005, respectively.

### Cash and Cash Equivalents

For the statement of financial position and statement of cash flows, cash and cash equivalents are defined as all monies in petty cash, checking, savings, and money market accounts.

### Income Taxes

No provision for federal taxes on income has been included in the accounts since the Foundation qualifies as an exempt organization meeting the requirements of Section 501(c)(3) of the Internal Revenue Code.

### Functional Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statement of Activities.

Costs have been allocated between Brazil program grants, general and administrative, and fundraising. General and administrative include those expenses that are not directly identifiable with any other specified function but provide for the overall support and direction of the Foundation.

### Organization Costs

During the start-up phase of the Foundation, \$3,335 of Organizational costs were incurred. These costs are recorded as organization costs and will be amortized on the straight-line basis over 5 years. The amortization expense amounted to \$-0- and \$667 for the years ended December 31, 2006 and 2005, respectively.

NOTE 2 - FIXED ASSETS

Fixed assets having a useful life of three years or more are capitalized at cost, or if acquired by gift, at the fair market value at the date of the gift. Depreciation is computed on the straight-line method over the estimated life of the assets. The cost of such assets at December 31 is as follows:

	<u>Estimated Useful Life</u>	<u>2006</u>	<u>2005</u>
Computer Equipment	5 Years	\$ <u>6,001</u>	\$ <u>6,001</u>
		6,001	6,001
Less - Accumulated depreciation		( <u>2,550</u> )	( <u>1,350</u> )
		\$ <u>3,451</u>	\$ <u>4,651</u>

Depreciation expense amounted to \$1,200 and \$1,099 for the years ended December 31, 2006 and 2005, respectively.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

**Pensando Junto (Child Sponsorship Program)** - The grant facilitates an individual's direct sponsorship for a specific impoverished child living in the slum of Rocinha in Rio de Janeiro. The grant offers support in the areas of education, sports, health care and psychological care, extra curricular activities, special interest, skill development, food, and basic family needs.

**Cirque Du Soleil/Cirque Du Munde Grant** - The grant consists of money raised through a fundraising event and distributed to the Cirque Du Munde Brazil network of social circus programs, which operate in more than seven (7) states throughout Brazil. It offers daily activities for impoverished youth in circus training, art, education, dance, music, tutoring, psychological care, citizenship classes, and family services.

**Luta Pela Paz (Fight for Peace Sports Club)** - The grant supports a sports club for boys and young men living in the most dangerous Rio slum of Complexo de Mare. The club offers food packages, citizenship classes and daily sports training sessions while encouraging the boys and young men to stay away from the drug trafficking, return to school and enter the job market.

**Pro Crianca Cardiaca** - This program supports the Pro Criança Cardiaca Foundation, created in 1996 by Dr. Rosa Barbosa in response to children in Rio de Janeiro and the surrounding areas that are in desperate need of quality cardiac care. Approximately 40 cardiac children are assisted weekly by a team of doctors that have provided medical care for over 3,000 patients, performed over 790 surgeries and over 220 cardiac catheterizations. In addition to assisting with hospital admissions and various needed associated procedures, they provide dental care and infections control.

**Final Feliz (Happy Ending Community Center)** - The grant supports a community center serving more than 150 children and 80 families offering children's activities (sports, dance, music, tutoring, reading, writing, circus, etc.) and meals six days a week along with activities for families in the evenings. On Saturdays, children and their families meet with educators to discuss growth, individual needs, and general activities. The goal is to prepare children to take an active role and a productive place in society and to prepare adults to be role models, good parents, and community leaders.

**Reciclarte** – Reciclarte is a musical education that program teaches at-risk youth to play the violin. Once the child demonstrates proficiency and commitment to music these musicians are invited to join one of two Reciclarte Orchestras. Orchestra A has 12 kids and Orchestra B has 6.

**Recicrianca (Music for Canoa)** –This program is a community -based music and education program for the at risk children of Canoa Quebrada. This fishing village has been overrun with tourism and development. Local children have been exploited, rather than brought into the formal labor market. Recicrianca serves 100 youth, ages 8 to 18, offering music and other activities in an open, educational space. It encourages children and teenagers to develop a respect for nature and the greater community. Recicrianca offers diverse educational courses and opportunities for youth activities include eco-citizenship, education classes, weekly outings, educational videos, games, sports, and a reading library. The potential long-term impact is to return children to school and to their musical tradition; stimulating cultural and ecological preservation of the village; raising local incomes to break the cycle of poverty and improve quality of life.

**Juriti (The Social Circus School of Eco-Citizenship )** – Participants in this program ages range from 7 to 17. Most of these children live in the Parque Antonio Vieira neighborhood, a very poor area, and have to perform jobs from a very young age in order to add to the family income. As members of the program, the children participate in six circus workshops, internet and computer workshops, production and participation of radio workshops.

**CIESPI** - CIESPI is registered independent non-profit organization, dedicated to applied research, policy analysis and the training needs of disadvantaged children, and their families. Much of the Center's work focuses on the conditions of disadvantaged children in Brazil, particularly children and youth growing up in the slums areas of large cities. Additionally, CIESPI explores other environmental issues such as family violence or the impact of electronic media and the effects on children from a wide range of backgrounds.

**Iko Poran** – This program conducts international volunteer programs in Brazil. The mission is to promote a wide experience exchange between cultures and strengthen the growing number of Civil Society Organizations in Brazil. The volunteers are aware of the problems faced by the underprivileged and share their resources, time, and experience in order to build a better world.

Temporarily restricted net assets are summarized as follows:

	<u>2005 Balance</u>	<u>Additions</u>	<u>Released From Restrictions</u>	<u>2006 Balance</u>
Pensando Junto – Child Sponsorships	\$ ---	\$ 1,500	(\$ 1,000)	\$ 500
Cirque du Soleil	6,657	37,296	( 31,792)	12,161
Luta Pela Paz	23,116	62,281	( 64,529)	20,868
Final Feliz	148	5,231	( 4,596)	783
Recianca	96	---	---	96
Juriti	---	1,376	( 1,251)	125
Iko Poran	990	55,325	( 56,315)	---
Crescer Viver	---	4,030	( 3,926)	104
Observatoria	---	300	( 300)	---
Music for Canoa	---	690	( 620)	70
Voluntarios	---	180	( 180)	---
Childrens Hospital Rio de Janeiro	---	2,549	( 2,486)	63
Escola Pernambuco	---	693	( 45)	648
Rhythm of Hope	---	439	( 119)	320
Picolino	---	262	---	262
CIRCUS	---	87	---	87
Total	<u>\$ 31,007</u>	<u>\$ 172,239</u>	<u>(\$ 167,159)</u>	<u>\$ 36,087</u>

NOTE 4 - IN-KIND CONTRIBUTIONS

In-kind contributions are valued at their estimated fair market value at the date received. In-kind contributions in the amount of \$-0- and \$3,805 were received during the years ended December 31, 2006 and 2005, respectively.

The following schedule details, by general category, the in-kind contributions received that are included in the financial statements.

	<u>2006</u>	<u>2005</u>
Computer Equipment	\$ <u>---</u>	\$ <u>3,805</u>

DREAMS CAN BE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Brazil Program Grants	General and Administrative	Fundraising	Total
Brazil general grants	\$ 54,208	\$ -	\$ -	\$ 54,208
Pensando Junto grant - Child sponsorship	1,000	-	-	1,000
Luta Pela Paz grant	62,272	-	-	62,272
Nos Do Cinema	-	-	-	-
Iko Poran	58,541	-	-	58,541
Pro Crianca Cardiaca	2,486	-	-	2,486
Final Feliz - Non Cirque Funds	4,596	-	-	4,596
Cirque du Soleil grants				
Cirque du Soleil	31,792	-	-	31,792
Other Grants	14,222	-	-	14,222
Payroll and related taxes	-	-	29,320	29,320
Amortization	-	-	-	-
Depreciation	-	1,200	-	1,200
Insurance	-	2,764	-	2,764
Advertising	-	-	1,452	1,452
Bank fees	-	541	-	541
Telephone	-	710	-	710
Dues & subscriptions	-	878	-	878
Licenses & fees	-	374	-	374
Office supplies	-	952	-	952
Professional fees	-	2,100	-	2,100
Bulk mailings	-	-	973	973
	-	-	-	-
<b>Total Functional Expenses</b>	<b>\$ 229,117</b>	<b>\$ 9,519</b>	<b>\$ 31,745</b>	<b>\$ 270,381</b>

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SCHEDULE A  
(Continued)

DREAMS CAN BE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Brazil Program Grants	General and Administrative	Fundraising	Total
Brazil general grants	\$ 69,023	\$ -	\$ -	\$ 69,023
Pensando Junto grant - Child sponsorship	3,200	-	-	3,200
Luta Pela Paz grant	50,092	-	-	50,092
Nos Do Cinema	-	-	-	-
Iko Poran	8,342	-	-	8,342
Pro Crianca Cardiaca	19,185	-	-	19,185
Final Feliz - Non Cirque Funds	5,244	-	-	5,244
Cirque du Soleil grants				
Cirque du Soleil	27,573	-	-	27,573
Other Grants	7,469	-	-	7,469
Payroll and related taxes	-	-	28,304	28,304
Amortization	-	667	-	667
Depreciation	-	1,099	-	1,099
Insurance	-	302	-	302
Advertising	-	-	1,050	1,050
Bank fees	-	441	444	885
Telephone	-	744	-	744
Dues & subscriptions	-	700	-	700
Licenses & fees	-	225	-	225
Office supplies	-	488	-	488
Professional fees	-	2,000	-	2,000
Bulk mailings	-	-	356	356
	-	-	-	-
Total Functional Expenses	<u>\$ 190,128</u>	<u>\$ 6,666</u>	<u>\$ 30,154</u>	<u>\$ 226,948</u>

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