

**INDEPENDENT AUDITOR'S REPORT**

March 22, 2005

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, 2004 and 2003, 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, 2004 and 2003, 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  
Certified Public Accountants

DREAMS CAN BE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 25,842	\$ 13,038
Total Current Assets	25,842	13,038
Fixed assets - Net (Note 2)	944	1,183
Organization costs - Net (Note 1)	667	1,334
Total Assets	<u>\$ 27,453</u>	<u>\$ 15,555</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,688	\$ -
Total Current Liabilities	2,688	-
Net Assets		
Unrestricted	24,765	13,344
Temporarily restricted (Note 3)	-	2,211
Total Net Assets	24,765	15,555
Total Liabilities and Net Assets	<u>\$ 27,453</u>	<u>\$ 15,555</u>

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

DREAMS CAN BE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenues</u>			
Contributions	\$ 94,256	\$ 92,113	\$ 186,369
In-kind donations (Note 4)	11,025	-	11,025
Fundraising	2,762	36,415	39,177
Net assets released from restrictions (Note 3)	130,739	(130,739)	-
Total Support and Revenues	238,782	(2,211)	236,571
 <u>Expenses</u>			
Brazil program grants	190,854	-	190,854
General and administrative	7,239	-	7,239
Fundraising	29,268	-	29,268
Total Expenses	227,361	-	227,361
Increase/(Decrease) in Net Assets	11,421	(2,211)	9,210
Net Assets - Beginning of Year	13,344	2,211	15,555
Net Assets - End of Year	\$ 24,765	\$ -	\$ 24,765

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DREAMS CAN BE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenues</u>			
Contributions	\$ 62,306	\$ 11,230	\$ 73,536
In-kind donations (Note 4)	1,195	-	1,195
Fundraising	174	39,193	39,367
Net assets released from restrictions (Note 3)	56,785	(56,785)	-
Total Support and Revenues	<u>120,460</u>	<u>(6,362)</u>	<u>114,098</u>
 <u>Expenses</u>			
Brazil program grants	88,453	-	88,453
General and administrative	9,892	-	9,892
Fundraising	21,640	-	21,640
Total Expenses	<u>119,985</u>	<u>-</u>	<u>119,985</u>
Increase/(Decrease) in Net Assets	475	(6,362)	(5,887)
Net Assets - Beginning of Year	<u>12,869</u>	<u>8,573</u>	<u>21,442</u>
Net Assets - End of Year	<u>\$ 13,344</u>	<u>\$ 2,211</u>	<u>\$ 15,555</u>

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DREAMS CAN BE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in net assets	\$ 9,210	\$ (5,887)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	239	12
Amortization	667	667
Donated computer equipment	-	(1,195)
Change in assets and liabilities:		
Accounts payable and accrued expenses	<u>2,688</u>	<u>-</u>
Total Adjustments	<u>3,594</u>	<u>(516)</u>
Net Cash Provided By/(Used In) Operating Activities	<u>12,804</u>	<u>(6,403)</u>
Net Increase/(Decrease) in Cash	12,804	(6,403)
Cash - Beginning of Year	<u>13,038</u>	<u>19,441</u>
Cash - End of Year	<u>\$ 25,842</u>	<u>\$ 13,038</u>

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DREAMS CAN BE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

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 \$54,890 and \$53,446 were received from board members of the Organization during the years ended December 31, 2004 and 2003, 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 \$667 for the years ended December 31, 2004 and 2003.

## 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>2004</u>	<u>2003</u>
Computer Equipment	5 Years	\$ <u>1,195</u>	\$ <u>1,195</u>
		1,195	1,195
Less - Accumulated depreciation		( <u>251</u> )	( <u>12</u> )
		\$ <u>944</u>	\$ <u>1,183</u>

Depreciation expense amounted to \$251 and \$12 for the years ended December 31, 2004 and 2003, 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. In 2004, Dreams Can Be donated to programs in the states of Pernambuco, Rio de Janeiro, Minas Gerais, Maceio, and Ceara.

**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.

**Nos Do Cinema (We in Cinema)** - This grant is used to provide training for disadvantaged youth in the areas of directing, screenwriting, lighting, sound, photography, production, and computer science. Individuals get the opportunity to obtain jobs as actors, models, and technicians.

**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.

**Instituto de Crianca** - This program is part of a partnership with an individual in Rio who raises money to support existing social projects. He has many supporters, including celebrities, who volunteer their time for the following programs: Lar Santa Catarina aids seriously handicapped children and adolescents; Familia Flordelis provides adoptive families; Lar Sao Jose offers food and medical care to 180-200 children; and Recicla teaches families to sort and recycle trash to earn income.

**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>2003 Balance</u>	<u>Additions</u>	<u>Released From Restrictions</u>	<u>2004 Balance</u>
Pensando Junto – Child Sponsorships	\$ 323	\$ 6,405	(\$ 6,728)	\$ ---
Cirque du Soleil	1,888	36,415	( 38,303)	---
Luta Pela Paz	---	54,493	( 54,493)	---
Nos Do Cinema	---	27,000	( 27,000)	---
Final Feliz	---	3,800	( 3,800)	---
Instituto de Crianca	---	100	( 100)	---
Iko Poran	<u>---</u>	<u>315</u>	<u>( 315)</u>	<u>---</u>
Total	<u>\$ 2,211</u>	<u>\$ 128,528</u>	<u>(\$ 130,739)</u>	<u>\$ ---</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 \$11,025 and \$1,195 were received during the years ended December 31, 2004 and 2003, respectively.

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

	<u>2004</u>	<u>2003</u>
Clothing	\$ 11,025	\$ ---
Computer Equipment	<u>---</u>	<u>1,195</u>
	<u>\$ 11,025</u>	<u>\$ 1,195</u>