

DREAMS CAN BE FOUNDATION
JOHNSTOWN, PENNSYLVANIA

Audited Financial Statements

December 31, 2003 and 2002

Independent Auditor's Report

April 2, 2004

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, 2003 and 2002, 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, 2003 and 2002, 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, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 13,038	\$ 19,441
Total Current Assets	13,038	19,441
Fixed assets, net of accumulated depreciation of \$12 and \$0, respectively (Note 2)	1,183	-
Organization costs, net of accumulated amortization of \$2,001 and \$1,334, respectively (Note 1)	1,334	2,001
Total Assets	<u>\$ 15,555</u>	<u>\$ 21,442</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ -	\$ -
Total Current Liabilities	-	-
Net Assets		
Unrestricted	13,344	12,869
Temporarily restricted (Note 3)	2,211	8,573
Total Net Assets	<u>15,555</u>	<u>21,442</u>
Total Liabilities and Net Assets	<u>\$ 15,555</u>	<u>\$ 21,442</u>

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Accompanying Notes to Financial Statements

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<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)	<u>56,785</u>	<u>(56,785)</u>	<u>-</u>
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	<u>21,640</u>	<u>-</u>	<u>21,640</u>
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
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>			
Contributions	\$ 63,686	\$ 16,565	\$ 80,251
In-kind donations (Note 4)	4,715	-	4,715
Fundraising	3,591	32,023	35,614
Net assets released from restrictions (Note 3)	<u>41,215</u>	<u>(41,215)</u>	<u>-</u>
Total Support and Revenues	<u>113,207</u>	<u>7,373</u>	<u>120,580</u>
 <u>Expenses</u>			
Brazil program grants	105,002	-	105,002
General and administrative	4,952	-	4,952
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>109,954</u>	<u>-</u>	<u>109,954</u>
Increase in Net Assets	3,253	7,373	10,626
Net Assets - Beginning of Year	<u>9,616</u>	<u>1,200</u>	<u>10,816</u>
Net Assets - End of Year	<u>\$ 12,869</u>	<u>\$ 8,573</u>	<u>\$ 21,442</u>

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DREAMS CAN BE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:		
(Decrease)/Increase in net assets	<u>\$ (5,887)</u>	<u>\$ 10,626</u>
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	12	-
Amortization	667	667
Donated computer equipment	<u>(1,195)</u>	<u> </u>
Total Adjustments	<u>(516)</u>	<u>667</u>
Net Cash (Used In)/Provided By Operating Activities	<u>(6,403)</u>	<u>11,293</u>
Net (Decrease)/Increase in Cash	(6,403)	11,293
Cash - Beginning of Year	<u>19,441</u>	<u>8,148</u>
Cash - End of Year	<u>\$ 13,038</u>	<u>\$ 19,441</u>

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DREAMS CAN BE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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 \$53,446 and \$66,091 were received from board members of the Organization during the years ended December 31, 2003 and 2002, 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, 2003 and 2002.

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>2003</u>	<u>2002</u>
Computer Equipment	5 Years	\$ <u>1,195</u>	\$ <u>---</u>
		1,195	---
Less - Accumulated depreciation		(<u>12</u>)	(<u>---</u>)
		\$ <u><u>1,183</u></u>	\$ <u><u>---</u></u>

Depreciation expense amounted to \$12 and \$0 for the years ended December 31, 2003 and 2002, respectively.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

N.G. Rocinha Grant (The New Generation of Rocinha 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.

IMAS Grant - The grant money was received from specific individuals who wanted to help the IMAS project in the slum of Morro da Providencia in Rio de Janeiro Brasil. The grant was used for support of their community center, daycare program and school.

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 2003, 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.

Temporarily restricted net assets are summarized as follows:

	<u>2002 Balance</u>	<u>Additions</u>	<u>Released From Restrictions</u>	<u>2003 Balance</u>
N.G. Rocinha – Child Sponsorships	\$ 243	\$ 3,880	(\$ 3,800)	\$ 323
IMAS	2,205	500	(2,705)	---
Cirque du Soleil	6,125	39,193	(43,430)	1,888
Luta Pela Paz	---	3,100	(3,100)	---
Nos Do Cinema	---	1,250	(1,250)	---
Final Feliz	<u>---</u>	<u>2,500</u>	<u>(2,500)</u>	<u>---</u>
Total	<u>\$ 8,573</u>	<u>\$ 50,423</u>	<u>(\$ 56,785)</u>	<u>\$ 2,211</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 \$1,195 and \$4,715 were received during the years ended December 31, 2003 and 2002, respectively.

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

	<u>2003</u>	<u>2002</u>
Clothing	\$ ---	\$ 2,540
Accounting Services	---	1,875
Computer Equipment	<u>1,195</u>	<u>300</u>
	<u>\$ 1,195</u>	<u>\$ 4,715</u>

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

	Brazil Program Grants	General and Administrative	Fundraising	Total
Brazil general grants	\$ 31,168	\$ -	\$ -	\$ 31,168
NG Rocinha grant - Child sponsorship	3,800	-	-	3,800
Central Cultural Candela grant	-	-	-	-
Luta Pela Paz grant	3,100	-	-	3,100
Nos Do Cinema	1,250	-	-	1,250
Instituto Metodista de Acao Social	2,705	-	-	2,705
Cirque du Soleil grants				
Cirque du Soleil	43,430	-	-	43,430
CIC; Interactive Circus Center	-	-	-	-
Final Feliz Community Center	2,500	-	-	2,500
Pernambucana Circus School - Grande Circo Arraial	-	-	-	-
Institutoda Crianca	500	-	-	500
Shipping of donations	-	-	-	-
Donated items	-	-	-	-
Amortization	-	667	-	667
Depreciation	-	12	-	12
Insurance	-	1,163	-	1,163
Advertising	-	1,300	500	1,800
Bank fees	-	233	114	347
Telephone	-	756	-	756
Dues & subscriptions	-	519	-	519
Licenses & fees	-	139	-	139
Office supplies	-	63	-	63
Printing	-	-	-	-
Professional fees	-	4,700	21,026	25,726
Seminar, workshops, & education	-	340	-	340
Small equipment	-	-	-	-
Total Functional Expenses	\$ 88,453	\$ 9,892	\$ 21,640	\$ 119,985

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DREAMS CAN BE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Brazil Program Grants	General and Administrative	Fundraising	Total
Brazil general grants	\$ 53,173	\$ -	\$ -	\$ 53,173
NG Rocinha grant - Child sponsorship	4,017	-	-	4,017
Central Cultural Candela grant	2,068	-	-	2,068
Luta Pela Paz grant	12,550	-	-	12,550
Nos Do Cinema	-	-	-	-
Instituto Metodista de Acao Social	800	-	-	800
Cirque du Soleil grants				
Cirque du Soleil	-	-	-	-
CIC; Interactive Circus Center	15,152	-	-	15,152
Final Feliz Community Center	6,646	-	-	6,646
Pernambucana Circus School - Grande Circo Arraial	4,100	-	-	4,100
Other grants	2,576	-	-	2,576
Shipping of donations	1,380	-	-	1,380
Donated items (Note 4)	2,540	-	-	2,540
Amortization	-	667	-	667
Depreciation	-	-	-	-
Insurance	-	-	-	-
Advertising	-	-	-	-
Bank fees	-	175	-	175
Telephone	-	1,101	-	1,101
Dues & subscriptions	-	155	-	155
Licenses & fees	-	15	-	15
Office supplies	-	242	-	242
Printing	-	347	-	347
Professional fees (Note 4)	-	1,875	-	1,875
Seminar, workshops, & education	-	75	-	75
Small equipment (Note 4)	-	300	-	300
Total Functional Expenses	\$ 105,002	\$ 4,952	\$ -	\$ 109,954

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