

DREAMS CAN BE FOUNDATION
JOHNSTOWN, PENNSYLVANIA

Audited Financial Statements

For the Year Ended December 31, 2002

Independent Auditor's Report

September 15, 2003

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, 2002, and the related statements of activities and cash flows for the year 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 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 Dreams Can Be Foundation at December 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was 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 audit 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

STATEMENT OF FINANCIAL POSITION

								EXHIBIT I
DREAMS CAN BE FOUNDATION								
STATEMENT OF FINANCIAL POSITION								
DECEMBER 31, 2002								
<u>ASSETS</u>								
Current Assets								
Cash								\$19,441
Total Current Assets								19,441
Organization costs, net of accumulated amortization of \$1,334 (Note 1)								2,001
Total Assets								<u>\$21,442</u>
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities								
Accounts payable and accrued expenses								\$0
Total Current Liabilities								0
Net Assets								
Unrestricted								12,869
Temporarily restricted (Note 2)								8,573
Total Net Assets								21,442
Total Liabilities and Net Assets								<u>\$21,442</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Dreams Can Be Foundation, (“the Foundation”), is a not-for-profit organization established 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 has 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 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.

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 \$66,091 were received from board members of the Organization.

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 and general and administrative. 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 year ended December 31, 2002.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

N.G. Rocinha Grant - The grant is 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 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 Grant - The grant consists of money raised through a fundraising event and distributed to social programs throughout Brazil who specialize in the Social Circus. Final Feliz offers daily activities for impoverished youth in areas of circus, dance, music, tutoring and family services in the community of Grande Circo Arrail in Pernambuco, Brazil, offers courses in dance, art education and social circus as well as individual tutoring, psychological care and family meetings. CIC offers social programs based on introducing impoverished children from many different Rio de Janeiro slums to art education and the social circus, while giving them the opportunity to participate in the Rally Social Circus.

Luta Pela Paz - 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.

Temporarily restricted net assets at December 31, 2002 are summarized as follows:

	N.G.		Cirque	Luta	
	<u>Rocinha</u>	<u>IMAS</u>	<u>du Soleil</u>	<u>Pela Paz</u>	<u>Total</u>
Balance at December 31, 2001	\$ 1,200	\$ ---	\$ ---	\$ ---	\$ 1,200
Additions	3,560	3,005	32,023	10,000	48,588
Released from restrictions	(4,517)	(800)	(25,898)	(10,000)	(41,215)
Balance at December 31, 2002	\$ <u>243</u>	\$ <u>2,205</u>	\$ <u>6,125</u>	\$ <u>---</u>	\$ <u>8,573</u>

NOTE 3 - 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 \$4,715 were received during the year ended December 31, 2002.

The following schedule details, by general category, the in-kind contributions received in 2002 that are included in the financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

SCHEDULE A					
DREAMS CAN BE FOUNDATION					
STATEMENT OF FUNCTIONAL EXPENSES					
FOR THE YEAR ENDED DECEMBER 31, 2002					
			Brazil Program Grants	General and Administrative	Total
Brazil general operating grant			\$53,173	\$0	\$53,173
NG Rocinha grant			4,017	0	4,017
Central Cultural Candela grant			2,068	0	2,068
Luta Pela Paz grant			12,550	0	12,550
Cirque du Soleil grants					
	CIC; Interactive Circus Center		15,152	0	15,152
	Final Feliz Community Center		6,646	0	6,646
	Pernambucana Circus School - Grande Circo Arraial		4,100	0	4,100
Other grants			3,376	0	3,376
Shipping of donations			1,380	0	1,380
Donated items (Note 3)			2,540	0	2,540
Amortization			0	667	667
Bank fees			0	175	175
Telephone			0	1,101	1,101
Dues & subscriptions			0	155	155
Licenses & fees			0	15	15
Office supplies			0	242	242
Printing			0	347	347
Professional fees (Note 3)			0	1,875	1,875
Seminar, workshops, & education			0	75	75
Small equipment (Note 3)			0	300	300
	Total Functional Expenses		\$105,002	\$4,952	\$109,954

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