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Henry A. Gleich, CPA

INDEPENDENT AUDITORS REPORT

Board of Directors
Real World Foundation, Inc.
New York, NY

I have examined the accompanying statement of assets, liabilities and fund balance of Real World Foundation, Inc. as of December 31, 2008 and 2007 and the related statements of revenues and expenditures, fund balance and cash flows for the year's then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Real World Foundation, Inc. as of December 31, 2008 and 2007 and the results of its operations, and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Henry A. Gleich, CPA, PC
Kingston, New York
November 7, 2009

Audited
Real World Foundation, Inc.
Statement of Assets, Liabilities and Fund Balance
As of December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash	\$ 166,824	\$ 7,582
Fee Income Receivable	<u>101,738</u>	<u>233,906</u>
Total Current Assets	\$268,562	\$241,488
Property, Plant and Equipment		
Equipment	27,433	12,899
Less: Accum. Deprec.	<u>(6,559)</u>	<u>(3,010)</u>
Net Property, Plant and Equipment	20,874	9,889
Other Assets		
Security Deposits	<u>296</u>	<u>1,796</u>
Total Other Assets	296	1,796
TOTAL ASSETS	<u><u>\$289,732</u></u>	<u><u>\$253,173</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 10,850	\$ 13,867
Deferred Revenue	56,244	13,333
Note Payable	0	25,000
Pension Payable	4,013	350
Payroll Taxes Payable	<u>20</u>	<u>6,190</u>
Total Current Liabilities	<u>\$ 71,127</u>	<u>\$ 58,740</u>
Total Liabilities	71,127	58,740
Fund Balance		
Unrestricted Fund Balance	<u>218,605</u>	<u>194,433</u>
Total Fund Balance	218,605	194,433
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 289,732</u></u>	<u><u>\$ 253,173</u></u>

The footnotes are an integral part of these financial statements.

See Accountant's Audit Report

Audited
Real World Foundation, Inc.
Statement of Revenues and Expenditures
For the Year's Ended December 31, 2008 and 2007

	<u>2008</u>		<u>2007</u>	
Revenues				
Grants	\$ 312,896		\$ 333,490	
Program Service Revenue	8,086		12,000	
Contributions	1,984		0	
Miscellaneous Income	125		333	
Interest Income	<u>381</u>		<u>0</u>	
Total Revenues		323,472		\$345,823
Expenditures				
Program Expenditures				
Salaries	153,483		147,539	
Payroll Taxes	11,216		11,698	
Pension Expense	14,140		14,754	
Employee Benefits	6,132		4,569	
Small Equipment	79		249	
Dues and Subscriptions	56		100	
Outside Professional Services	34,635		18,840	
Office and Postage	486		377	
Rent	50		45	
Sub-Contractors	12,127		21,854	
Supplies	6,507		10,043	
Training Materials	66		2,907	
Education	0		1,358	
Travel	1,176		1,448	
Payroll Service Fees	1,043		0	
Depreciation	<u>3,549</u>		<u>2,580</u>	
Total Program Expenditures		244,745		238,361
Administration and Management				
Salaries	8,111		700	
Payroll Taxes	644		59	
Pension Expense	811		70	
Employee Benefits	1,208		1,221	
Auto Expenditures	0		997	
Filing Fees	50		0	
Bank Charges	204		124	
Dues and Subscriptions	710		250	
Education and Training	11		26	
Small Equipment	1,145		6,387	
Insurance	4,624		3,379	
Interest Expense	899		0	
Meals and Entertainment	224		304	

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Real World Foundation, Inc.
Statement of Revenues and Expenditures
For the Year's Ended December 31, 2008 and 2007

Miscellaneous Expenditures	60	664
Outside Professional Services	5,562	5,196
Office and Postage	87	251
Payroll Service Fees	55	0
Rent	24,160	20,417
Supplies	1,072	1,502
Telephone	3,451	1,895
Travel	150	119
Utilities	1,317	177
Total Administration and Management	<u>54,555</u>	<u>43,738</u>
Total Expenditures	<u>299,300</u>	<u>282,099</u>
Excess of Revenues over Expenditures	<u>\$ 24,172</u>	<u>\$ 63,724</u>

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Audited
Real World Foundation, Inc.
Statement of Fund Balance
For the Year's Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Fund Balance - Beginning of Year	\$ 194,433	\$ 130,709
Revenues in Excess of Expenditures	<u>24,172</u>	<u>\$ 63,724</u>
Fund Balance - End of Year	<u>\$ 218,605</u>	<u>\$ 194,433</u>

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Audited
Real World Foundation, Inc.
Statement of Cash Flows
For the Year's Ended December 31, 2008 and 2007

	2008	2007
Cash Flows Provided (Used) by Operating Activities		
Excess of Revenues over Expenditures	\$ 24,172	\$ 63,724
Adjustments to reconcile excess of revenues over expenditures to cash provided (used) by operating activities:		
Depreciation	3,549	2,580
Changes in:		
Taxes Payable	(6,170)	6,180
Fee Income Receivable	132,168	(62,636)
Accrued Expenses	0	(7,467)
Deferred Revenue	42,911	13,333
Pension Payable	3,663	5,169
Security Deposits	1,500	(1,796)
Accounts Payable	(3,017)	10,458
Credit Cards Payable	0	(202)
Net cash provided (used) by operating activities	198,776	29,343
Cash Flows Provided (Used) by Investing Activities		
Purchase of Equipment	(14,534)	0
Net Cash provided (used) by Investing Activities	(14,534)	0
Cash Flows Provided (Used) by Financing Activities		
Repayment of debt	(25,000)	(60,000)
Proceeds of Borrowing	0	25,000
Net cash provided (used) by Financing Activities	(25,000)	(35,000)
Net Increase (Decrease) in Cash	159,242	(5,657)
Cash at Beginning of Year	7,582	13,239
Cash at End of Year	\$ 166,824	\$ 7,582

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Audited
Real World Foundation, Inc.
Footnotes to Financial Statements
For the Year's Ended December 31, 2008 and 2007[Type text]

Note 1: SIGNIFICANT ACCOUNTING POLICIES

Organization's activities: The organization was formed to promote social development, education and health, specifically in the area of asthma prevention through environmental improvement. The main focus has been in the area of school zones. The organization is a section 501(C) 3 non-profit corporation.

Cash equivalent: For purposes of the Statement of Cash Flows, the organization considers all the amounts on deposit in savings, money market and checking accounts. The organization has no other items, which are required to be included.

Income taxes: The organization is a Section 501(C) 3 non-profit corporation and consequently, is exempt from Federal, New York State and New York City income taxes on related income. There currently is no unrelated business income that would be subject to federal, state or city taxes.

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

Assets: Assets are presented at cost.

Depreciation: The organization calculates depreciation using the straight-line method over the useful lives of the assets. Equipment is depreciated over a period of five years.

Note 2: Rent

The organization leases office space in New York, NY for \$1,750 per month. The lease agreement is verbal and is month to month.

Note 3: PENSION

The corporation maintains a 403(b) pension for its employees. The plan was initiated on May 1, 2006 and the organization can, at its discretion, contribute up to 10% to the accounts of eligible employees. The organization has accrued, at the balance sheet date, ten percent (10%) of the employee's compensation for 2008 and 2007.

Note 4: DEFERRED REVENUE

The organization received grants during the year only part of which was earned during the fiscal year. The portion of the grant not currently earned has been deferred.

Note 5: NOTE PAYABLE

Note payable represents an amount borrowed from the Fund for New York City. The note bears no interest and was repaid in the subsequent fiscal year.

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Real World Foundation, Inc.
Footnotes to Financial Statements
For the Year's Ended December 31, 2008 and 2007[Type text]

Note 6: Fee Income Receivable

The organization has accrued fee income earned but not yet received at the end of the year. Management has deemed this entire amount collectable. The receivables are reviewed periodically and uncollectable amounts are written off as experienced. No provision has been recorded for uncollectable amounts.

Note 7: Restatement of 2007 statements

It was determined that some of the income received during 2008 had in fact been earned in 2007. In order to properly recognize the income earned in the correct periods, the 2007 statements have been restated. The changes to the 2007 statements concern fee income receivable and grants.