
FINANCIAL STATEMENTS

KIDS CAN FREE THE CHILDREN

FOR THE YEAR ENDED MARCH 31, 2005



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AUDITORS' REPORT

**To the Members of
Kids Can Free The Children
Toronto, Ontario**

We have audited the statements of financial position of **Kids Can Free The Children** as at March 31, 2005 and 2004 and the statements of changes in net assets, revenue and expenditures and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess or deficiency of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the organization as at March 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada

Chartered Accountants

KIDS CAN FREE THE CHILDREN

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

	2005 \$	2004 \$
ASSETS		
CURRENT		
Cash	188,565	279,180
Inventory	125,593	2,716
Prepaid expenses and sundry	25,336	7,628
	339,494	289,524
PROPERTY AND EQUIPMENT (note 3)	652,623	296,618
	992,117	586,142
LIABILITIES		
CURRENT		
Accounts payable and accruals	27,583	19,327
Mortgage payable – current portion (note 4)	23,491	-
	51,074	19,327
LONG-TERM		
Mortgage payable (note 4)	160,509	-
	211,583	19,327
NET ASSETS		
Unrestricted	311,911	270,197
Invested in property and equipment	468,623	296,618
	780,534	566,815
	992,117	586,142

ON BEHALF OF THE BOARD:

Member

Member

See accompanying notes.

KIDS CAN FREE THE CHILDREN

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31

	Unre- stricted \$	Invested in Property and Equip- ment \$	2005 \$	2004 \$
BALANCE, beginning of year	270,197	296,618	566,815	604,338
Excess (deficiency) of revenue over expenditures for year	244,736	(31,017)	213,719	(37,523)
Investment in property and equipment	(203,022)	203,022	-	-
BALANCE, end of year	311,911	468,623	780,534	566,815

See accompanying notes.

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**STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31**

	2005 \$	2004 \$
REVENUE		
Leadership projects	186,413	678,154
Peace building projects	1,787,796	987,200
Education projects	773,797	809,680
Gain on disposal of office condominium	169,093	-
Other	316,821	121,733
	3,233,920	2,596,767

EXPENDITURES - page 5		
Project	2,713,006	2,446,067
Administrative	307,195	188,223
	3,020,201	2,634,290

**EXCESS (DEFICIENCY) OF REVENUE OVER
EXPENDITURES FOR YEAR** 213,719 (37,523)

See accompanying notes.

KIDS CAN FREE THE CHILDREN

SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED MARCH 31

	Total Projects \$	Adminis- trative \$	2005 \$	<u>Total</u> 2004 \$
Advertising	53,404	3,170	56,574	19,493
Bad debts	-	-	-	5,946
Benefit expenses	8,065	1,434	9,499	2,648
Conference expenses	198	-	198	1,762
Consultants	89,453	80,675	170,128	67,619
Contribution to international projects	2,130,905	-	2,130,905	2,004,049
Foreign exchange loss	-	-	-	46,069
General and office	151,866	103,418	255,284	161,767
Printing, photography and audio video	6,176	72	6,248	3,513
Professional fees	-	4,630	4,630	5,280
Rent	23,361	7,787	31,148	16,654
Telephone	8,676	20,895	29,571	19,861
Travel	128,180	9,973	138,153	78,022
Wages	112,722	44,124	156,846	179,511
Amortization	-	31,017	31,017	22,096
	2,713,006	307,195	3,020,201	2,634,290

See accompanying notes.

KIDS CAN FREE THE CHILDREN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31

	2005 \$	2004 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	213,719	(37,523)
Adjustment for non-cash items		
- Amortization	31,017	22,096
- Deferred revenue	-	(16,476)
	<u>244,736</u>	(31,903)
Changes in non-cash working capital		
- Inventory	(122,877)	16,308
- Prepaid expenses and sundry	(17,708)	4,601
- Accounts payable	8,256	(2,594)
	<u>112,407</u>	(13,588)
INVESTING ACTIVITIES		
Property and equipment	(387,022)	(19,533)
FINANCING ACTIVITIES		
Mortgage payable	184,000	-
DECREASE IN CASH	(90,615)	(33,121)
CASH, BEGINNING OF YEAR	<u>279,180</u>	<u>312,301</u>
CASH, END OF YEAR	<u>188,565</u>	<u>279,180</u>

See accompanying notes.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

1/ PURPOSE OF ORGANIZATION

Kids Can Free The Children is an organization which is committed to creating a network of children helping children through representation, leadership and action, and dedicated to reducing poverty and the exploitation of children.

The organization was incorporated under the provision of Part II of the Canada Corporations Act as a non-profit corporation, without share capital. As a result, the organization is exempt from income tax under Section 149 of the Income Tax Act, Canada.

2/ ACCOUNTING POLICIES

Revenue-recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donated goods and services

The value of certain goods and services donated to the organization has been reflected in these financial statements. While the organization also benefits from volunteer time, the value of this volunteer time has not been reflected in these statements.

Inventory

The inventory consists of donated school and medical kits received during the fiscal year. These kits are recorded at wholesale replacement value.

Amortization

Property and equipment are recorded at cost and amortized as follows:

Building	-	4%, Declining-balance
Computer equipment	-	30%, Declining-balance
Furniture and fixtures	-	20%, Declining-balance
Vehicle	-	30%, Declining-balance

Translation of foreign currencies

Accounts in foreign currencies have been translated into Canadian dollars using the "temporal" method. Under this method, monetary assets are translated at the rate in effect at the balance sheet date. Non-monetary assets are translated using historic rates. Revenue and expenses are translated at the average rate during the year. Translation gains or losses are disclosed separately on statements of operations.

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

2/ ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. These estimates are reviewed yearly, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

3/ PROPERTY AND EQUIPMENT

	Cost \$	Accumu- lated Amorti- zation \$	<u>Net Book Value</u>	
			2005 \$	2004 \$
Land	200,000	-	200,000	-
Building	394,096	7,882	386,214	-
Computer equipment	80,302	44,470	35,832	23,645
Furniture and fixtures	45,448	15,548	29,900	6,780
Office condominium	-	-	-	265,227
Vehicle	4,025	3,348	677	966
	723,871	71,248	652,623	296,618

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NOTES TO FINANCIAL STATEMENTS MARCH 31, 2005

4/ MORTGAGE PAYABLE

The mortgage payable is secured by the property located at [REDACTED] bears interest at 4.95% per annum and is repayable in monthly principal payments of \$1,947 plus interest until maturity in March, 2010.

Principal repayments for the next five years on the mortgage payable are as follows:

	\$
2006	23,491
2007	23,366
2008	23,366
2009	23,366
2010	23,366
Thereafter	67,045
	<hr/> 184,000
Less: Current portion	23,491
	<hr/> 160,509

5/ COMMITMENT

The organization's premises are rented under a lease agreement, which requires the following minimum annual lease payments:

	\$
2006	76,800
2007	76,800
2008	76,800
2009	2,100
	<hr/> 232,500

6/ FINANCIAL INSTRUMENTS

- a/ The carrying amounts of cash and accounts payable and accruals approximate fair value because of the short-term maturity of these financial instruments.
- b/ The fair value of the mortgage payable approximates fair value because of its market value interest rate.