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FINANCIAL STATEMENTS

KIDS CAN FREE THE CHILDREN

FOR THE YEAR ENDED MARCH 31, 2008

[redacted]

KIDS CAN FREE THE CHILDREN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

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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, 2008 and 2007 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, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
[redacted]

Chartered Accountants,
Licensed Public Accountants

[redacted]

KIDS CAN FREE THE CHILDREN

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2008 $	2007 $
ASSETS		
CURRENT		
Cash and term deposit (note 6)	1,706,557	2,174,231
Marketable securities	140,228	16,299
Inventory	533,162	419,787
Prepaid expenses and sundry	349,379	230,977
	2,729,326	2,841,294
PROPERTY AND EQUIPMENT (notes 3 and 4)	6,186,590	2,547,925
	8,915,916	5,389,219
LIABILITIES		
CURRENT		
Accounts payable and accruals	89,278	61,301
Mortgages payable – current portion (note 4)	139,622	126,067
	228,900	187,368
LONG-TERM		
Mortgages payable (note 4)	469,295	724,670
	698,195	912,038
NET ASSETS		
Unrestricted	2,640,048	2,779,993
Invested in property and equipment	5,577,673	1,697,188
	8,217,721	4,477,181
	8,915,916	5,389,219

ON BEHALF OF THE BOARD:

Member

Member

See accompanying notes.

[redacted]

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 $	2008 $	2007 $
BALANCE, beginning of year	2,779,993	1,697,188	4,477,181	1,898,737
Excess (deficiency) of revenue over expenditures for year	3,998,768	(258,228)	3,740,540	2,578,444
Investment in property and equipment	(4,138,713)	4,138,713	-	-
BALANCE, end of year	2,640,048	5,577,673	8,217,721	4,477,181

See accompanying notes.

[redacted]

KIDS CAN FREE THE CHILDREN

STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED MARCH 31

	2008 $	2007 $
REVENUE		
Leadership projects	26,265	268,110
Peace building projects	5,597,966	6,206,587
Education projects	7,700,920	3,219,853
Other	2,277,242	569,163
	15,602,393	10,263,713
EXPENDITURES - page 5		
Project	10,630,690	7,052,432
Administrative	1,231,163	632,837
	11,861,853	7,685,269
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	3,740,540	2,578,444

See accompanying notes.

[redacted]

KIDS CAN FREE THE CHILDREN

SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31

	Total Projects $	Adminis-trative $	Total 2008 $	Total 2007 $
Advertising	644,442	7,308	651,750	589,858
Consultants	876,047	115,370	991,417	559,051
Contribution to international projects	6,630,623	-	6,630,623	4,394,092
General and office	598,602	379,532	978,134	609,038
Printing, photography and audio video	231,229	976	232,205	61,122
Professional fees	525	18,178	18,703	7,330
Rent	15,008	69,119	84,127	65,417
Telephone	60,671	37,094	97,765	63,749
Travel	656,370	10,948	667,318	434,531
Wages	917,173	334,410	1,251,583	801,619
Amortization	-	258,228	258,228	99,462
	10,630,690	1,231,163	11,861,853	7,685,269

See accompanying notes.

[redacted]

KIDS CAN FREE THE CHILDREN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	3,740,540	2,578,444
Adjustment for non-cash items		
- Amortization	258,228	99,462
	3,998,768	2,677,906
Changes in non-cash working capital		
- Inventory	(113,375)	(353,028)
- Prepaid expenses and sundry	(118,402)	(91,689)
- Accounts payable	27,977	5,569
	3,794,968	2,238,758
INVESTING ACTIVITIES		
Property and equipment	(3,896,893)	(774,002)
FINANCING ACTIVITIES		
Mortgages payable	(241,820)	133,704
Marketable securities	(123,929)	(16,299)
	(365,749)	117,405
INCREASE (DECREASE) IN CASH	(467,674)	1,582,161
CASH, BEGINNING OF YEAR	2,174,231	592,070
CASH, END OF YEAR	1,706,557	2,174,231

See accompanying notes.

[redacted]

KIDS CAN FREE THE CHILDREN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

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.

Donations-in-kind

Contributions of materials are recognized when a fair value can be reasonably estimated and when the materials are used in the normal course of the organization's operation and would otherwise have been purchased. 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 publications and is stated at lower of cost and net realizable value.

Amortization

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

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

[redacted]

2/ ACCOUNTING POLICIES (Continued)

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.

Adoption of new accounting standards

On April 1, 2007, the organization adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments – Disclosures" of the CICA Handbook – Accounting and Section 3863, "Financial Instruments – Presentation". These sections establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks.

Also, the organization adopted Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the valuation of investments and the accounting treatment of transaction costs. For investments that are traded in an active market, where quoted prices are readily and regularly available, section 3855 requires the uses of bid prices for long positions and ask prices for short positions in the fair valuation of investments, rather than the use of closing prices. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are to be charged to net income in the period, rather than being added to the cost of the securities purchased or deducted from the proceeds of sale.

The adoption of Section 3855 had no significant impact on the organization.

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	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
	$	$	$	$
Land	1,647,000	-	1,647,000	847,000
Building	4,603,460	275,531	4,327,929	1,594,429
Computer equipment	151,046	74,113	76,933	46,638
Furniture and fixtures				
- Office	185,590	66,912	118,678	39,796
- Residential buildings	29,773	13,723	16,050	20,062
	6,616,869	430,279	6,186,590	2,547,925

4/ MORTGAGES PAYABLE

Property	Interest Rate	Maturity Date	Terms	2008 $	2007 $
[redacted]	5.68%	April, 2011	Blended monthly payment of $4,675	211,273	289,336
	4.95%	March, 2010	Blended monthly payment of $1,947	68,371	105,838
	5.54%	January, 2011	Blended monthly payment of $3,875	167,431	232,960
	5.68%	March, 2011	Blended monthly payment of $3,637	161,842	222,603
				608,917	850,737

[redacted]

4/ MORTGAGES PAYABLE (Continued)

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

		$
2009	-	139,623
2010	-	147,447
2011	-	155,719
2012	-	144,567
2013	-	21,561
		608,917
Less: Current portion		139,622
Long-term portion		469,295

5/ COMMITMENT

The organization is committed to leases of its premises, at a minimum annual rent, as follows:

		$
2008	-	112,208
2009	-	112,208
		224,416

[redacted]

6/ CASH FLOWS INFORMATION

	2008 $	2007 $
Cash on hand	1,706,557	2,027,715
Term deposit	-	146,516
	1,706,557	2,174,231

7/ FINANCIAL INSTRUMENTS

The organization has classified its financial instruments as follows:

Cash and term deposit	-	Held-for-trading
Marketable securities	-	Held-for-trading
Accounts payable and accruals	-	Other financial liabilities
Mortgages payable	-	Other financial liabilities

The fair values of cash and term deposit, marketable securities and accounts payable and accruals is approximately equal to their carrying values, due to their short-term maturity.

The fair value of the mortgages payable approximates carrying value, as they are interest bearing at market values.

The organization is exposed to currency risk to the extent that approximately 18% of revenues and 41% of contributions to international projects are derived from the United States and transacted in US dollars.

Unless otherwise noted, in management's opinion, the organization is not exposed to significant interest or credit risk arising from its financial instruments.

[redacted]