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**FINANCIAL STATEMENTS**

**KIDS CAN FREE THE CHILDREN**

**FOR THE YEAR ENDED MARCH 31, 2010**



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# **KIDS CAN FREE THE CHILDREN**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010**

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## **AUDITORS' REPORT**

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**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, 2010 and 2009 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, 2010 and 2009, and the results of its operations and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

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Toronto, Canada

Chartered Accountants,  
Licensed Public Accountants

# KIDS CAN FREE THE CHILDREN

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

	2010 \$	2009 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and term deposits (note 9)	3,837,789	2,999,828
Marketable securities	250,708	26,828
Inventory	289,784	380,216
Prepaid expenses and sundry	192,902	209,062
	<u>4,571,183</u>	<u>3,615,934</u>
<b>OTHER ASSETS</b>		4,961,678
<b>PROPERTY AND EQUIPMENT (note 3)</b>	5,994,288	6,128,139
	<u>10,565,471</u>	<u>14,705,751</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank demand loan	-	700,062
Accounts payable and accruals	105,789	209,608
Mortgages payable – current portion	-	61,638
	<u>105,789</u>	<u>971,308</u>
<b>LONG-TERM</b>		
Deferred contributions (note 4)	100,000	4,873,278
Mortgages payable	-	64,417
	<u>100,000</u>	<u>4,937,695</u>
	<u>205,789</u>	<u>5,909,003</u>
<b>NET ASSETS</b>		
Unrestricted	4,365,394	2,794,664
Invested in property and equipment	5,994,288	6,002,084
	<u>10,359,682</u>	<u>8,796,748</u>
	<u>10,565,471</u>	<u>14,705,751</u>

### 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 Equipment \$	2010 \$	2009 \$
(Note 5)				
<b>BALANCE, beginning of year</b>	2,794,664	6,002,084	8,796,748	8,217,721
Excess (deficiency) of revenue over expenditures for year	1,868,190	( 305,256)	1,562,934	579,027
Investment in property and equipment	( 171,405)	171,405	-	-
Repayment of mortgages	( 126,055)	126,055	-	-
<b>BALANCE, end of year</b>	4,365,394	5,994,288	10,359,682	8,796,748

See accompanying notes.

# KIDS CAN FREE THE CHILDREN

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

	2010 \$	2009 \$
<b>REVENUE (note 6)</b>		
Leadership projects	561,053	1,155,953
Peace building projects	13,211,967	6,992,200
Education projects	6,721,729	5,260,682
Other	1,973,910	2,274,377
	<b>22,468,659</b>	<b>15,683,212</b>
 <b>EXPENDITURES - page 4</b>		
Project	19,171,981	13,623,144
Administrative	1,755,010	1,456,041
	<b>20,926,991</b>	<b>15,079,185</b>
 <b>EXCESS OF REVENUE OVER EXPENDITURES BEFORE UNDERTONED</b>	 <b>1,541,668</b>	 <b>604,027</b>
 <b>UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	 <b>21,266</b>	 <b>( 25,000)</b>
 <b>EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR</b>	 <b>1,562,934</b>	 <b>579,027</b>

See accompanying notes.

# KIDS CAN FREE THE CHILDREN

## SCHEDULE OF EXPENDITURES FOR THE YEAR ENDED MARCH 31

	Total Projects \$	Adminis- trative \$	2010 \$	Total 2009 \$
Advertising	249,399	10,746	260,145	343,920
Consultants	293,382	58,928	352,310	776,599
Contribution to domestic and international projects	13,936,904	-	13,936,904	8,933,096
General and office	606,435	538,295	1,144,730	1,187,434
Printing, photography and audio video	161,479	14,423	175,902	153,229
Professional fees	33,584	14,824	48,408	24,098
Rent	70,805	51,106	121,911	49,818
Telephone	144,866	43,971	188,837	181,943
Travel	683,499	35,412	718,911	663,961
Wages	2,991,628	682,049	3,673,677	2,462,542
Amortization	-	305,256	305,256	302,545
	19,171,981	1,755,010	20,926,991	15,079,185

See accompanying notes.

# KIDS CAN FREE THE CHILDREN

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31

	2010 \$	2009 \$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	1,562,934	579,027
Adjustment for non-cash items		
- Amortization	305,256	302,545
- Unrealized (gain) loss on marketable securities	( 21,266)	25,000
	<u>1,846,924</u>	<u>906,572</u>
Changes in non-cash working capital		
- Marketable securities	( 202,614)	-
- Inventory	90,432	152,946
- Prepaid expenses and sundry	16,160	140,317
- Other assets	4,961,678	(4,873,278)
- Deferred contributions	(4,773,278)	4,873,278
- Accounts payable	( 103,819)	120,330
	<u>1,835,483</u>	<u>1,320,165</u>
<b>INVESTING ACTIVITIES</b>		
Property and equipment additions	( 171,405)	( 244,094)
<b>FINANCING ACTIVITIES</b>		
Bank demand loan	( 700,067)	700,067
Mortgages payable	( 126,050)	( 482,867)
	<u>( 826,117)</u>	<u>217,200</u>
<b>INCREASE IN CASH</b>	<b>837,961</b>	<b>1,293,271</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>2,999,828</b>	<b>1,706,557</b>
<b>CASH, END OF YEAR (note 9)</b>	<b>3,837,789</b>	<b>2,999,828</b>

See accompanying notes.

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# KIDS CAN FREE THE CHILDREN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010

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### 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 around the world.

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.

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### 2/ ACCOUNTING POLICIES

#### **Revenue recognition**

The organization follows the deferral method of accounting for contributions, which are mainly comprised of cash donations, donations-in-kind, and public and private grants. 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.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and term deposits that mature in the short-term period.

#### **Marketable securities**

Marketable securities are classified as held for trading and recorded at fair market value. Unrealized gains or losses are recognized in the income statement of the current period. Dividend income is recognized when received.

#### **Inventory**

The inventory consists of publications and is stated at lower of cost and net realizable value.

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# KIDS CAN FREE THE CHILDREN

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## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010

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### 2/ ACCOUNTING POLICIES (Continued)

#### **Other assets**

Other assets are comprised of donations received from the members of [REDACTED] in Barter dollars. The fair market value of one Barter dollar is equal to one Canadian dollar.

#### **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
Vehicles	-	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 and liabilities 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. Exchange gains and losses on monetary items are taken into income in the current year.

#### **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.

# KIDS CAN FREE THE CHILDREN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010

### 3/ PROPERTY AND EQUIPMENT

	Cost \$	Accumu- lated Amorti- zation \$	2010 \$	Net Book Value 2009 \$
Land	1,647,000	-	1,647,000	1,647,000
Buildings	4,603,460	614,840	3,988,620	4,154,812
Computer equipment	247,104	120,998	126,106	106,713
Furniture and fixtures				
- Office	241,015	126,110	114,905	121,886
- Residential buildings	37,417	22,252	15,165	18,956
Vehicles	180,178	77,686	102,492	78,772
	6,956,174	961,886	5,994,288	6,128,139

### 4/ DEFERRED CONTRIBUTIONS

In 2008 and 2009, the organization received Barter dollars donated by members of [REDACTED]. The contributions were deferred as the related expenses were not incurred at the time. During the year, the organization, using all the Barter dollars in the account, purchased approximately \$4,977,000 of medical supplies which were later shipped to a health clinic in Kenya. The deferred contributions from 2009 are recognized and reported as donations-in-kind in the income statement.

The current balance represents donations received and deferred based on the restriction imposed by the donor.

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### 5/ NET ASSETS

The segregated balance of investment in property and equipment represents the amortized cost of property and equipment net of mortgages payable.

# KIDS CAN FREE THE CHILDREN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010

### 6/ REVENUE

	2010	2009
	\$	\$
Donations	14,542,591	12,236,450
Donations-in-kind	7,368,556	2,224,105
Public grants	250,000	321,308
Private grants	207,780	418,608
Bequests	-	243,963
Others	99,732	238,778
	22,468,659	15,683,212

### 7/ COMMITMENTS

The organization leases office space at several locations in Canada. The aggregate minimum rent per annum in the next two years is in the range of \$135,000 to \$172,000.

### 8/ RELATED-PARTY TRANSACTIONS

The founder and co-founder of the organization have a controlling interest in Me to We Social Enterprises Inc. and its subsidiaries. The transactions during the year with the group of companies can be summarized as follows:

	\$
Rental revenue	30,240
Donations received	227,490
	257,730
Purchase of promotional goods for domestic projects	163,277
Contribution to leadership projects	78,475
	241,752

The purpose of the Me to We group is to help support the operation of Kids Can Free the Children. The organization purchases books, other educational materials and promotional clothing from Me to We. These items are either charged at cost or profits therefrom are donated back by Me to We. Annually, Me to We donates back 50% of any profits and retains 50% to provide for its own sustainability.

# KIDS CAN FREE THE CHILDREN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010

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### 9/ CASH FLOWS INFORMATION

	2010 \$	2009 \$
Cash on hand	3,237,789	1,599,828
Term deposits	600,000	1,400,000
	<u>3,837,789</u>	<u>2,999,828</u>

Term deposits bear interest at approximately 1%. They mature within the next four months and are renewable at the organization's option.

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### 10/ FINANCIAL INSTRUMENTS

The organization has classified its financial instruments as follows:

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

The fair values of cash and term deposits and accounts payable and accruals are approximately equal to their carrying values, due to their short-term maturity.

The organization is exposed to currency risk to the extent that approximately 30% of revenues and 45% 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.

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### 11/ COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

**Kids Can Free The Children**  
**Profit & Loss**  
**April 2009 through March 2010**

	<b>Apr '09 - Mar 10</b>
<b>Income</b>	
4000 · Donations	14,337,519.28
4010 · Donations In Kind	7,368,555.72
4040 · Camp fees Income	1,000.00
4100 · Grant	
4101 · Grant - Private	207,780.46
4102 · Grant - Government	250,000.00
<b>Total 4100 · Grant</b>	<b>457,780.46</b>
4200 · Speeches income	2,940.00
4300 · Reimbursement income	0.00
4400 · Other Income	
4410 · Author Gratuities	4,080.09
4430 · Book Sales	46,827.67
4435 · Gain on Foreign Exchange	205,072.46
4440 · Interest	13,442.90
4450 · Miscellaneous Income	31,440.74
<b>Total 4400 · Other Income</b>	<b>300,863.86</b>
<b>Total Income</b>	<b>22,468,659.32</b>
<b>Expense</b>	
5000 · Contribution to Projects	13,936,904.46
5030 · Book Cost	68,949.05
5100 · Fundraising Expenses	18,250.53
6000 · G & A Expenses	
6010 · Advertising & Promotion	260,144.48
6030 · Amortization Expense	296,681.44
6060 · Dues and Subscriptions	4,750.75
6080 · Maintenance & Repair	214,045.88
6100 · Bank Service Charge	43,667.73
6120 · Insurance	56,880.43
6130 · Meals & Entertainment	59,001.30
6160 · Office Supplies	287,353.92
6190 · Postage & Delivery	125,250.39
6200 · Printing & Copying	175,901.81
6210 · Utilities	72,988.79
6220 · Rent	121,911.13
6230 · Telephone & Internet	188,836.53
6240 · Property Tax	58,707.94
6250 · GST Expense	74,182.53
6700 · Shipping & Storage	31,713.53
6000 · G & A Expenses - Other	515.70
<b>Total 6000 · G &amp; A Expenses</b>	<b>2,072,534.28</b>
6235 · Training & Development	28,472.16
6400 · Payroll Expenses	
6410 · Payroll	3,525,974.28
6420 · Benefit Expense	145,664.07
6400 · Payroll Expenses - Other	2,038.33
<b>Total 6400 · Payroll Expenses</b>	<b>3,673,676.68</b>
6500 · Professional Fees	
6510 · Accounting	12,550.00
6520 · Consulting Fees	352,310.18
6530 · Legal	35,857.83
<b>Total 6500 · Professional Fees</b>	<b>400,718.01</b>
6600 · Travel & Transportation	
6610 · Transportation	101,883.23
6620 · Travel	617,027.63
<b>Total 6600 · Travel &amp; Transportation</b>	<b>718,910.86</b>

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**Kids Can Free The Children  
Profit & Loss  
April 2009 through March 2010**

Accrual Basis

	<u>Apr '09 - Mar 10</u>
8010 · Loss on Assets Writeoff	8,574.66
8020 · - Unrealized gain/loss on Inves	<u>-21,266.35</u>
<b>Total Expense</b>	<b><u>20,905,724.34</u></b>
<b>Net Income</b>	<b><u>1,562,934.98</u></b>

**Kids Can Free The Children**  
**Balance Sheet**  
**As of 31 March 2010**

Accrual Basis

31 Mar 10

**ASSETS****Current Assets****Chequing/Savings**

1005	25.73
1006	652,430.98
1007	1,253.79
1008	-2,114.51
1010	2,544,306.12
1011	38,058.07
1030	620.23
1040	1,996.92
1041	1,211.90
1045	1,983.50
1050 · Term Deposit (1)	500,000.00
1060 · Term Deposit (2)	100,000.00

**Total Chequing/Savings**

3,839,772.73

**Accounts Receivable****1100 · Accounts Receivable**

64,928.89

**Total Accounts Receivable**

64,928.89

**Other Current Assets**

1080	127,552.51
1081	131,906.39
1085 · Provision on investment	-10,733.65
1150 · Accrued Receivables	58,282.52
1300 · Inventory	289,784.00
1400 · Prepaid expenses	22,800.25
1410 · Rent Deposit	46,890.05
1400 · Prepaid expenses - Other	

**Total 1400 · Prepaid expenses**

69,690.30

**Total Other Current Assets**

666,482.07

**Total Current Assets**

4,571,183.69

**Fixed Assets****1600 · Fixed Assets (Cost)**

247,104.07

**1610 · Computer & Printer****1620 · Furniture & Equipment****1625 · Furniture - Residences****1620 · Furniture & Equipment - Other**

37,417.16

241,015.22

**Total 1620 · Furniture & Equipment**

278,432.38

**1630 · Vehicle**

180,178.04

**1640 · Office Building -**

394,096.32

**1645 · Land on**

200,000.00

**1650 · Office Building -**

419,434.00

**1655 · Land on**

200,000.00

**1660 · Office Building -**

391,692.71

**1665 · Land on**

200,000.00

**1670 · Office Building -**

492,944.36

**1675 · Land on**

247,000.00

**1680 · Office Building -**

2,042,934.56

**1685 · Land on**

500,000.00

**1690 · Office Building -**

862,357.67

**1695 · Land on**

300,000.00

**Total 1600 · Fixed Assets (Cost)**

6,956,174.11

**1700 · Accumulated Depreciation**

-120,997.77

**1710 · Computer & Printer (Dep.)****1720 · Furniture & Equipment (Dep.)****1725 · Furniture - Residences (Dep.)**

-22,252.43

**1720 · Furniture & Equipment (Dep.) - Other**

-126,109.92

**Total 1720 · Furniture & Equipment (Dep.)**

-148,362.35

**Kids Can Free The Children**  
**Balance Sheet**  
**As of 31 March 2010**

	<b>31 Mar 10</b>
1730 · Vehicle (Dep.)	-77,685.55
1740 · Office Building (Dep.)	-79,187.15
1750 · Office Building (Dep.)	-69,583.58
1760 · Office Building (Dep.)	-65,653.94
1770 · Office Building (Dep.)	-65,540.96
1780 · Office Building (Dep.)	-235,476.45
1790 · Office Building (Dep.)	-99,398.51
<b>Total 1700 · Accumulated Depreciation</b>	<b>-961,886.26</b>
<b>Total Fixed Assets</b>	<b>5,994,287.85</b>
<b>TOTAL ASSETS</b>	<b>10,565,471.54</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
2100 · Accrued Liabilities	32,920.24
2200 · Accrued Vac. Pay Payable	72,819.99
2300 · Deferred Revenue	100,000.00
2500 · Payroll Liabilities	47.41
<b>Total Other Current Liabilities</b>	<b>205,787.64</b>
<b>Total Current Liabilities</b>	<b>205,787.64</b>
<b>Total Liabilities</b>	<b>205,787.64</b>
<b>Equity</b>	
3000 · Opening Bal Equity	566,816.48
3900 · Retained Earnings	8,229,932.44
Net Income	1,562,934.98
<b>Total Equity</b>	<b>10,359,683.90</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>10,565,471.54</b>