

FREE THE CHILDREN

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2012 AND 2011

ROY A. PASIEKA

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Free The Children
Toronto, Ontario Canada

I have audited the accompanying financial statements of Free The Children (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

In my opinion; except for the effect of any adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the donations referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Free The Children as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CERTIFIED PUBLIC ACCOUNTANT

Kenmore, New York
March 27, 2013

FREE THE CHILDREN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash	\$4,003,979	\$ 786,586
Accounts receivable	3,346	-
Annuities receivable - current	6,831	5,681
Unconditional promises to give	230,940	7,301
Prepaid expense	<u>108,202</u>	<u>24,323</u>
TOTAL CURRENT ASSETS	<u>4,353,298</u>	<u>823,891</u>
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	<u>919,795</u>	<u>917,271</u>
OTHER ASSETS:		
Annuities receivable - long term	25,712	31,596
Loan receivable	<u>-</u>	<u>40,000</u>
	<u>25,712</u>	<u>71,596</u>
	<u>\$5,298,805</u>	<u>\$1,812,758</u>

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 69,259	\$ 12,309
Accrued payroll	<u>7,771</u>	<u>11,009</u>
TOTAL CURRENT LIABILITIES	<u>77,030</u>	<u>23,318</u>
NET ASSETS:		
Unrestricted	2,122,806	1,580,215
Temporarily restricted	<u>3,098,969</u>	<u>209,225</u>
TOTAL NET ASSETS	<u>5,221,775</u>	<u>1,789,440</u>
	 <u>\$5,298,805</u>	 <u>\$1,812,758</u>

The accompanying notes are an integral part
of these financial statements.

ROY A. PASIEKA

Certified Public Accountant

FREE THE CHILDREN

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>
PUBLIC SUPPORT AND REVENUE:		
PUBLIC SUPPORT:		
Contributions and bequests	\$ 5,509,725	\$ 1,336,056
Grants	<u>2,098,958</u>	<u>1,730,370</u>
TOTAL PUBLIC SUPPORT	<u>7,608,683</u>	<u>3,066,426</u>
REVENUE:		
Interest	1,119	-
Miscellaneous	1,074	-
Travel and meals reimbursement	<u>3,266</u>	<u>-</u>
TOTAL REVENUE	<u>5,459</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>176,682</u>	<u>(176,682)</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>7,790,824</u>	<u>2,889,744</u>
EXPENSES:		
PROGRAM SERVICES:		
Education	5,445,739	-
Leadership	117,650	-
Peacebuilding	<u>881,582</u>	<u>-</u>
TOTAL PROGRAM SERVICES	<u>6,444,971</u>	<u>-</u>
SUPPORTING SERVICES:		
Fundraising	134,196	-
Management and general	<u>669,066</u>	<u>-</u>
TOTAL SUPPORTING SERVICES	<u>803,262</u>	<u>-</u>
TOTAL EXPENSES	<u>7,248,233</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	542,591	2,889,744
NET ASSETS, BEGINNING	<u>1,580,215</u>	<u>209,225</u>
NET ASSETS, ENDING	<u>\$ 2,122,806</u>	<u>\$ 3,098,969</u>

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Certified Public Accountant

TOTAL YEAR ENDED DECEMBER 31, 2012	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL YEAR ENDED DECEMBER 31, 2011
\$ 6,845,781	\$ 4,560,074	\$ 7,301	\$ 4,567,375
<u>3,829,328</u>	<u>800,930</u>	<u>-</u>	<u>800,930</u>
10,675,109	5,361,004	7,301	5,368,305
1,119	1,702	-	1,702
1,074	1,716	-	1,716
<u>3,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,459	3,418	-	3,418
-	1,229,156	(1,229,156)	-
<u>10,680,568</u>	<u>6,593,578</u>	<u>(1,221,855)</u>	<u>5,371,723</u>
5,445,739	4,647,203	-	4,647,203
117,650	187,293	-	187,293
<u>881,582</u>	<u>871,291</u>	<u>-</u>	<u>871,291</u>
6,444,971	5,705,787	-	5,705,787
134,196	373,744	-	373,744
<u>669,066</u>	<u>376,914</u>	<u>-</u>	<u>376,914</u>
803,262	750,658	-	750,658
<u>7,248,233</u>	<u>6,456,445</u>	<u>-</u>	<u>6,456,445</u>
3,432,335	137,133	(1,221,855)	(1,084,722)
<u>1,789,440</u>	<u>1,443,082</u>	<u>1,431,080</u>	<u>2,874,162</u>
<u>\$ 5,221,775</u>	<u>\$ 1,580,215</u>	<u>\$ 209,225</u>	<u>\$ 1,789,440</u>

The accompanying notes are an integral part
of these financial statements.

FREE THE CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2012
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2011

	<u>PROGRAM</u>		<u>SERVICES</u>	
	<u>EDUCATION</u>	<u>LEADER- SHIP</u>	<u>PEACE- BUILDING</u>	<u>TOTAL SERVICES PROGRAM</u>
Salaries	\$ 178,950	\$ 17,895	\$ 125,265	\$ 322,110
Payroll taxes	15,228	1,523	10,660	27,411
Employee benefits	8,293	829	5,805	14,927
Administrative fee	-	-	-	-
Advertising/promotion	-	-	1,280	1,280
Auto	-	-	-	-
Bank charges and fees	-	-	-	-
Bad debts	-	-	-	-
Uncollectible grants	-	-	-	-
Conferences, facility and event fees	-	52,850	139,196	192,046
Consultants	95,088	9,509	195,223	299,820
Grants for projects	2,164,580	-	-	2,164,580
Payments to affiliated organizations	2,961,000	-	401,876	3,362,876
Depreciation	-	25,599	-	25,599
Dues and subscriptions	-	-	1,550	1,550
Insurance	-	4,427	-	4,427
Legal and accounting	-	-	-	-
Office	-	-	-	-
Postage and delivery	-	-	-	-
Rent	-	-	-	-
Shipping and handling	22,600	-	-	22,600
Travel and meals	-	-	727	727
Utilities	-	5,018	-	5,018
TOTAL FUNCTIONAL EXPENSES - 2012	<u>\$5,445,739</u>	<u>\$ 117,650</u>	<u>\$ 881,582</u>	<u>\$6,444,971</u>
- 2011	<u>\$4,647,203</u>	<u>\$ 187,293</u>	<u>\$ 871,291</u>	<u>\$5,705,787</u>

SUPPORTING SERVICES			TOTAL YEARS	
FUNDRAISING	GENERAL AND ADMINISTRATIVE	TOTAL SUPPORTING SERVICES	ENDED 2012	DECEMBER 31 2011
\$ -	\$ 35,790	\$ 35,790	\$ 357,900	\$ 310,039
-	3,046	3,046	30,457	24,162
-	1,658	1,658	16,585	11,998
-	24,000	24,000	24,000	24,000
-	8,947	8,947	10,227	9,160
-	-	-	-	2,934
-	19,967	19,967	19,967	17,228
-	-	-	-	5,705
-	-	-	-	208,977
134,196	-	134,196	326,242	771,771
-	196,490	196,490	496,310	311,597
-	-	-	2,164,580	1,752,888
-	-	-	3,362,876	2,649,906
-	31,395	31,395	56,994	39,494
-	30,412	30,412	31,962	21,135
-	172	172	4,599	6,205
-	51,793	51,793	51,793	36,540
-	42,615	42,615	42,615	11,329
-	1,823	1,823	1,823	1,937
-	160,230	160,230	160,230	142,960
-	-	-	22,600	39,144
-	55,126	55,126	55,853	42,366
-	5,602	5,602	10,620	14,970
<u>\$134,196</u>	<u>\$669,066</u>	<u>\$803,262</u>	<u>\$7,248,233</u>	
<u>\$373,744</u>	<u>\$376,914</u>	<u>\$750,658</u>		<u>\$6,456,445</u>

The accompanying notes are an integral part
of these financial statements.

FREE THE CHILDRENSTATEMENT OF CASH FLOWSYEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 3,432,335	\$ (1,084,722)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,994	39,494
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,346)	9,167
(Increase) decrease in annuities receivable	4,734	5,484
(Increase) decrease in unconditional promises to give	(223,639)	1,156,690
(Increase) decrease in prepaid expense	(83,879)	248,988
Increase (decrease) in accounts payable	56,950	6,433
Increase (decrease) in accrued payroll	(3,238)	6,640
Increase (decrease) in deferred revenue	-	(2,400)
TOTAL ADJUSTMENTS	<u>(195,424)</u>	<u>1,470,496</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,236,911	385,774
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Capital expenditures	(59,518)	(79,534)
Payments received on loan receivable	<u>40,000</u>	<u>-</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>(19,518)</u>	<u>(79,534)</u>
NET INCREASE (DECREASE) IN CASH	3,217,393	306,240
CASH - beginning	<u>786,586</u>	<u>480,346</u>
CASH - ending	<u>\$ 4,003,979</u>	<u>\$ 786,586</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Non cash in-kind donations received during the year were for:		
Medical supplies	\$ 2,018,000	\$ 1,616,000
Other	950	8,566

The accompanying notes are an integral part of these financial statements.

ROY A. PASIEKA

Certified Public Accountant

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2012 AND 2011Note 1 - Summary of Significant Accounting Policies:

(A) Background:

The Organization was incorporated 12/20/96 in New York State and 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.

(B) Accounting Principles:

The financial statements and records are maintained on the accrual basis of accounting. Salaries, payroll taxes and benefits are allocated to cost centers based upon percentages as determined by management. Certain expenses are spread on an actual basis. The financial statements have been prepared in accordance with The American Institute of Certified Public Accountants Industry Audit Guide for Certain Nonprofit Organizations and Voluntary Health and Welfare organizations. The organization follows the provisions of FASB ASC 958 not-for-profit entities.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time.

Permanently restricted assets - Net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 1 - Summary of Significant Accounting Policies (continued):

(C) Tax Status:

The Organization is exempt from income tax as a not-for-profit corporation under IRC section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from income tax, are subject to examination by the IRS, for the years ending December 31, 2011, 2010 and 2009 (open years). The Organization is registered in New York, Minnesota and California and in 2013 is registering in Washington State and files Returns in those states and is also subject to examination for open years. Management does not believe they have met nexus criteria requiring other state registrations at this time and the Organization has no uncertain tax positions requiring disclosure.

(D) Promises to Give:

Contributions are recognized when the donor makes a promise to give the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

(E) Land, Buildings, Equipment and Depreciation:

Land, buildings, equipment are recorded at cost. Equipment is depreciated over periods of five to seven years using the straight-line method. Buildings and improvements are depreciated using the straight-line method over periods between fifteen and thirty-nine years. Repair and maintenance costs are expensed as incurred, while renewals and betterments which extend the asset's useful lives are capitalized.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 1 - Summary of Significant Accounting Policies (continued):

(F) Contributions and Grants:

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization received contributions from two major donors representing 11% and 19% in 2012 and one major donor representing 30% in 2011 of total public support.

(G) In-Kind Contributions:

Donated supplies, equipment and other are recorded at their fair market value when received and recorded as contribution revenue.

(H) Contributed Services:

No amounts have been reflected in these statements for donated services, inasmuch as these amounts are indeterminable. The Organization generally pays for services requiring specific expertise.

(I) 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.

(J) Events Occurring After Reporting Date:

The Organization has evaluated events and transactions that occurred between January 1, 2013 and March 27, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements and there were none noted.

(K) Name Change:

In October 2012, the Organization filed and was approved for a Certificate of Amendment to change its name from Kids Can Free The Children to Free The Children.

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 2 - Cash:

Cash consists of the following at December 31.

	<u>2012</u>	<u>2011</u>
Bank of America - checking	\$3,034,107	\$ 735,797
- savings, interest at .04% and .08%.	10,804	12,178
- checking	8,418	2,470
- checking	1,165	-
TD Canada Trust - checking	<u>949,485</u>	<u>36,141</u>
	<u>\$4,003,979</u>	<u>\$ 786,586</u>

The Organization is not vulnerable and has no concentrations of credit risk on cash deposits in excess of treasury insured limits.

Note 3 - Annuities Receivable:

Annuities receivable consist of the following at December 31.

	<u>2012</u>	<u>2011</u>
Donated annuity contracts	\$ 32,543	\$ 37,277
Less current portion	<u>6,831</u>	<u>5,681</u>
Long term annuities receivable	<u>\$ 25,712</u>	<u>\$ 31,596</u>

Annuity contracts are recognized as a donation at the time the policy is issued at an amount equal to the policy premium. Subsequent receipts are allocated between principal and interest when received.

Scheduled annuity receipts for each of the next five years is as follows:

December 31, 2013	\$ 6,831
2014	6,094
2015	6,311
2016	6,537
2017	6,770
Thereafter	-
	<u>\$ 32,543</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 4 - Promises to Give:

Unconditional promises to give consist of the following at December 31.

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 230,940	\$ 7,301
Receivable in one to five years	-	-
Total	<u>230,940</u>	<u>7,301</u>
Less discounts to net present value	-	-
Less allowance for uncollectible promises	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 23,0940</u>	<u>\$ 7,301</u>

The Organization has a concentration of credit risk with outstanding unconditional promises to give from three major donors representing 11%, 40% and 49% (2012) and one major donor representing 100% (2011).

Note 5 - Prepaid Expense:

Prepaid expense consists of the following at December 31.

	<u>2012</u>	<u>2011</u>
Insurance	\$ 402	\$ 183
Administrative fees	4,000	-
Rent and security	23,800	13,140
Event fees	<u>80,000</u>	<u>11,000</u>
	<u>\$ 108,202</u>	<u>\$ 24,323</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 6 - Land, Buildings and Equipment:

Land, buildings and equipment consists of the following at December 31.

	<u>2012</u>	<u>2011</u>
Land	\$ 172,539	\$ 172,539
Buildings	726,912	726,912
Equipment	142,023	82,505
Horses	4,800	4,800
Vehicles	<u>31,005</u>	<u>31,005</u>
Total	<u>1,077,279</u>	<u>1,017,761</u>
Less accumulated depreciation	<u>(157,484)</u>	<u>(100,490)</u>
Land, buildings and equipment - net	<u>\$ 919,795</u>	<u>\$ 917,271</u>

Depreciation expense for the year ended December 31, was \$56,994 (2012) and \$39,494 (2011).

Note 7 - Loan Receivable:

	<u>2012</u>	<u>2011</u>
Loan receivable - individual	\$ -	\$ 40,000
Less current portion	<u>-</u>	<u>-</u>
Long Term Receivable	<u>\$ -</u>	<u>\$ 40,000</u>

Loan receivable consists of a non-interest-bearing loan to an individual performing services for the Organization. The loan was scheduled to mature June 2014, however this was accelerated to 2012 and converted to compensation as per the loan agreement. The loan was non-interest bearing as long as the individual continues to provide services to the Organization

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 8 - Program Services:

Program services consist of three comprehensive cost centers. (1) Education has the goal to eliminate the obstacles preventing children from accessing education and break the cycle of poverty. The primary method to accomplish this goal is the Organization's Adopt a Village development model which is based on the five pillars of education, clean water and sanitation, health, alternative income and livelihood, and agriculture and food security. These projects are provided in Ecuador, Ghana, Haiti, India, Kenya, Nicaragua, rural China and Sierra Leone. (2) Leadership provides young people with training and networking opportunities where they learn how to take action on the issues that matter most to them. (3) Peace Building is designed to empower young people to care about local and global issues. This goal is primarily accomplished through the Organization's We Day and We Act initiatives in which students are given the opportunity to participate in student-led campaigns, explore and develop their capacity for leadership, and to engage with the world in new ways resulting in tangible benefits for local communities and around the world. Leadership and Peace Building activities are primarily provided domestically.

Note 9 - Grants for Projects:

Grants for projects include the following at December 31.

	<u>2012</u>	<u>2011</u>
Satellite Communication	\$ 1,271	\$ 1,439
Medical Relief	2,036,565	1,616,000
Haiti project	117,494	131,459
Ecuador project	<u>9,250</u>	<u>3,990</u>
	<u>\$2,164,580</u>	<u>\$1,752,888</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 10 - Related Party Transactions:

As of December 31, 2011, the Organization had amounts due to three related parties, who have common management but do not meet the threshold for consolidated financial reporting, consisting of payments made and receipts deposited on behalf of the parties. These amounts are included in accounts payable and amounted to \$12,309 at December 31, 2011. No amounts are outstanding at December 31, 2012.

Payments to affiliated organizations include the following at December 31.

	<u>2012</u>	<u>2011</u>
Free The Children - Canada	\$2,961,000	\$2,649,906
Free the Children - UK	<u>401,876</u>	<u>-</u>
Total payments to affiliated Organizations	<u>\$3,362,876</u>	<u>\$2,649,906</u>

Note 11 - Administrative Fees:

Included in functional expenses and allocated to program and supporting services are administrative fees paid to Free The Children (its related Canadian not-for-profit organization). A summary of administrative fees and other costs for the years ended December 31, are as follows.

	<u>2012</u>	<u>2011</u>
General (payroll and other administrative)	\$ 24,000	\$ 24,000
Other costs:		
Internal accounting cost allocation	18,000	18,000
Rent	<u>96,000</u>	<u>96,000</u>
Total fees and rent	<u>\$ 138,000</u>	<u>\$ 138,000</u>

FREE THE CHILDRENNOTES TO FINANCIAL STATEMENTS, CONTINUEDDECEMBER 31, 2012 AND 2011Note 12 - Rent:

The Organization's California office leases office space under a noncancelable operating lease with a term beginning March 15, 2012, expiring September 30, 2013. Monthly rent under this lease is \$3,780 through February 28, 2013 and \$3,900 thereafter. The Organization has a option to renew the lease for a period of two years at then market rates.

Prior to this year the Organization's leased office space, under a noncancelable operating lease with rent of \$4,700 per month, which expired May 31, 2012. Total rent expense under these leases, including rent (\$96,000) disclosed in Note 11, was \$160,230 (2012) and \$142,960 (2011).

MEMBER: AICPA AND NYSS CPA

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

The Board of Directors
Free The Children
Toronto, Ontario Canada

I have audited the financial statements of Free The Children as of and for the years ended December 31, 2012 and 2011, and have issued my report thereon dated March 27, 2013, which contained an unmodified opinion on those financial statements. My audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in land, building and equipment is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANT

March 27, 2013

FREE THE CHILDRENSCHEDULE OF CHANGES IN LAND,
BUILDINGS AND EQUIPMENTYEAR ENDED DECEMBER 31, 2012

SEE ACCOUNTANT'S REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
LAND, BUILDINGS AND EQUIPMENT (AT COST)				
Land	\$ 172,539	\$ -	\$ -	\$ 172,539
Buildings	726,912	-	-	726,912
Equipment	82,505	59,518	-	142,023
Horses	4,800	-	-	4,800
Vehicle	31,005	-	-	31,005
	<u>1,017,761</u>	<u>\$ 59,518</u>	<u>\$ -</u>	<u>1,077,279</u>
TOTAL				
ACCUMULATED DEPRECIATION				
Buildings	53,686	\$ 21,182	\$ -	74,868
Equipment	30,616	28,925	-	59,541
Horses	686	686	-	1,372
Vehicle	15,502	6,201	-	21,703
	<u>100,490</u>	<u>\$ 56,994</u>	<u>\$ -</u>	<u>157,484</u>
TOTAL				
LAND, BUILDINGS AND EQUIPMENT - NET	<u>\$ 917,271</u>			<u>\$ 919,795</u>